Mackenzie Financial Corporation

1997

Mackenzie
Building Financial Independence

a symbol of strength

For centuries, the castle keep — the tower — has exemplified strength and safety. The keep is a fortified point of perspective from which the approaching forces could be seen. That's why we adopted a stylized version of this timeless icon as our corporate symbol — to visually convey our long-term commitment to protecting the investments entrusted to our care. The castle keep also strongly reinforces our slogan, Building Financial Independence.

LEADERSHIP

Working closely with our valued partners — independent financial advisors, shareholders, mutual fund owners and our employees — Mackenzie has been proudly Building Financial Independence for Canadians since 1967. Together, we've built Canada's fourth largest mutual fund company: a widely held, publicly-traded organization.

PERFORMANCE

Based on our reputation and performance, one million North Americans have entrusted us to manage over $22 billion of their investments. They confidently rely on our teams of money managers to protect and increase their wealth.

SERVICE

More than 22,000 independent financial advisors have come to know, trust and recommend Mackenzie funds to investors. So that these advisors can best serve their clients, our 800 employees provide them with industry-leading sales support, educational programs, relevant products and efficient service.

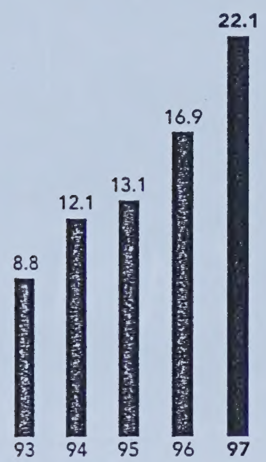
SUCCESS

The Your Company profile on pages 4 and 5 provides a summary of our businesses. In addition to our Canadian mutual fund business, we operate three subsidiaries:

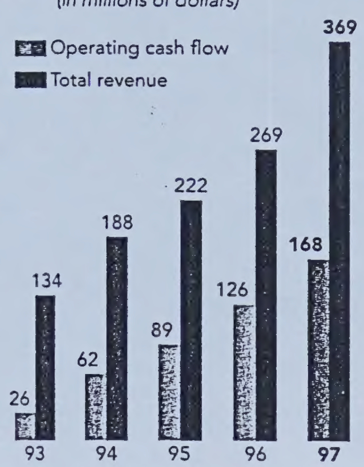
- A U.S. mutual fund company that specializes in international and emerging growth funds offered to the world's largest financial market;
- A Canadian trust company that provides independent dealers with a broad range of financial products;
- A dealer-focused administrative business that manages Canada's largest portfolio of independent, self-directed retirement and investment plans for dealer clients.

Managing Growth

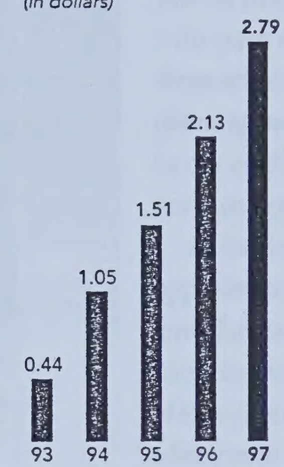
Increasing Assets Under Management
(in billions of dollars)



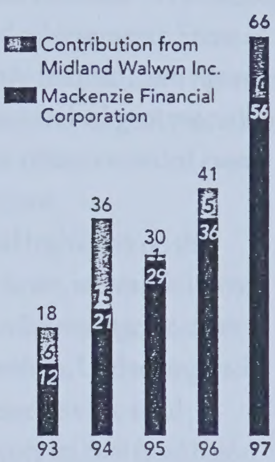
Record Revenues and Operating Cash Flows
before changes to non-cash balances related to operations (in millions of dollars)



Improved Cash Flow Per Share
before changes to non-cash balances related to operations (in dollars)



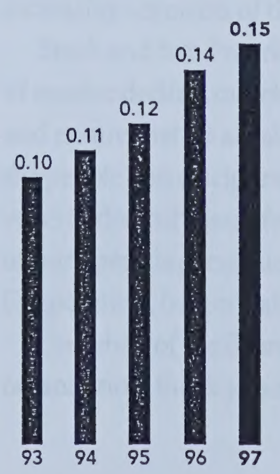
Higher Net Earnings
(in millions of dollars)



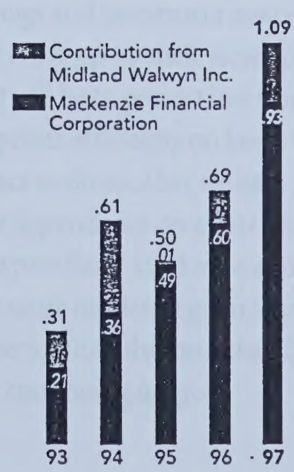
Serving our Shareholders

Building Value
Price per Mackenzie share at March 31 (in dollars)

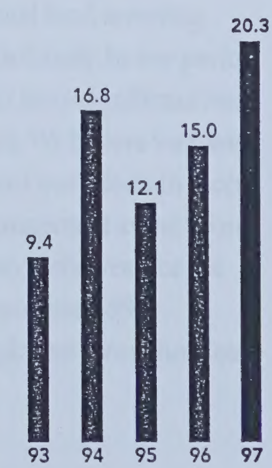
Increasing Dividends
Dividends per share (in dollars)



Strong Earnings
Earnings per share (in dollars)



Return on Equity
(percent)



An exceptional year with many record achievements

Fiscal 1997 was an exceptional year for Mackenzie Financial Corporation, with many record achievements. Some of those achievements resulted from rigorous planning processes and diligent execution by our employees; others exceeded even our own expectations.

As the financial highlights on the opposite page indicate, we reached record levels for assets under management, revenues and net earnings. Underlying each of those measurements were solid advances by our core mutual fund businesses in Canada and the United States, and profitable years by each of our other business units. Highlights of their operations are summarized on the following pages, and reviewed in greater detail in the accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations.

We continue to be optimistic for the prospects for your Company as we continue our planning to the end of this century. Our assets under management and revenues have benefitted greatly from the recent strong stock and bond markets in North America, and from the demographics of our North American fund investors who are dedicating increasing segments of their savings and investment assets to mutual fund investing.

Stock and bond markets will not keep up their recent pace indefinitely. In any period of market decline, our challenge will be to protect investors' assets from significant loss and ensure that we are able to operate efficiently on lower volumes. We believe we have the people and disciplines in place to do so. Also, we have increased our efforts in recent years to diversify away from sole dependence on assets under management as the source of our operating revenues. We expect fiscal 1998 to be another successful year for the Corporation, but probably with more moderate gains in most areas than 1997.

On behalf of the Board of Directors and the more than 800 employees throughout our organization, thank you for your continuing support.

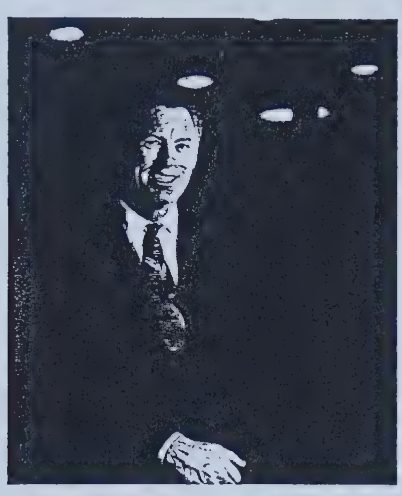
Alexander Christ

ALEXANDER CHRIST
President and Chief Executive Officer

CANADIAN MUTUAL FUND BUSINESS

Mackenzie
Building Financial Independence

MACKENZIE FINANCIAL SERVICES INC.



During fiscal 1997, we achieved record asset growth from unprecedented sales and solid investment performance. We strengthened the Mackenzie brand franchise in numerous ways, including investing in administrative support systems to improve service and information and launching a major continuing education program for financial advisors. We will continue to provide innovative products that meet investor needs, while improving service and reducing costs.

PHIL CUNNINGHAM
President

U.S. MUTUAL FUND BUSINESS

Ivy Mackenzie
IVY FUNDS® A Growing Global Force

MACKENZIE INVESTMENT MANAGEMENT INC.

During the past year, we posted several significant accomplishments: we increased our asset base by over 80%, launched three new funds, placed 9 of 10 international funds in the top half of their peer group and were ranked number one for client service in our fund category.

MICHAEL LANDRY
President

TRUST AND ADMINISTRATIVE BUSINESSES

MRS

M.R.S. TRUST COMPANY AND MULTIPLE RETIREMENT SERVICES INC.

During fiscal 1997, we improved the quality of our real estate loan portfolio and expanded our RRSP loan program. We developed innovative, securitized financing tools for mortgages and RRSP loans. We provided dealers with enhanced education and service, and established M.R.S. Securities Services Inc. to serve our investment dealer clients.

ALLAN WARREN
President
M.R.S. Trust Company

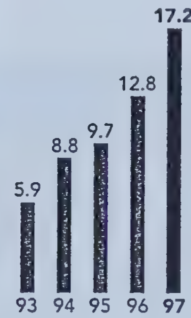
THERESA CURRIE
President
Multiple Retirement Services Inc.

Senior Executives

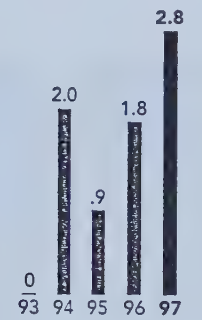
L to R: Laurie Munro, Mark Tiffin, John Rothwell, David Feather

Financial Summary

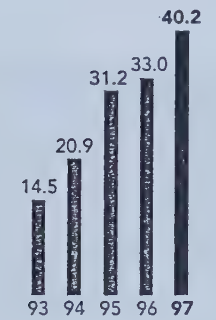
Fund Assets
(in billions of dollars)



Net Sales
(in billions of dollars)

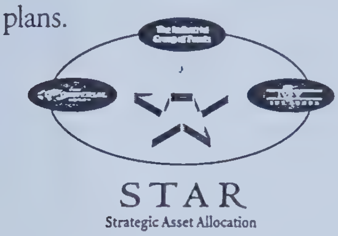


Contribution to Corporate Earnings
(in millions of dollars)



Products and Services

We added two new funds, bringing the total to 37 in three families. We offer a full range of services, including STAR, RRSP and RRIF programs, and pension plans.

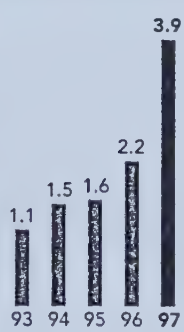


Senior Executives

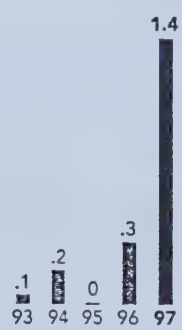
L to R: James Broadfoot, Keith Carlson, William Ferris

Financial Summary

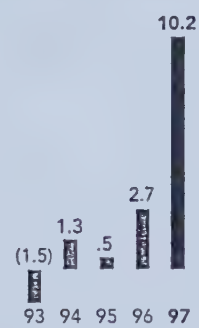
Fund Assets
(in billions of dollars)



Net Sales
(in billions of dollars)



Contribution to Corporate Earnings
(in millions of dollars)



Products and Services

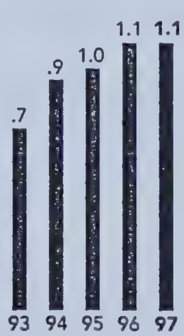
We manage and distribute twelve international equity funds, three U.S. domestic equity funds and two fixed income funds under the Ivy banner. We also serve as sub-advisor to six Universal mutual funds offered by Mackenzie Financial to Canadian investors.

Senior Executives

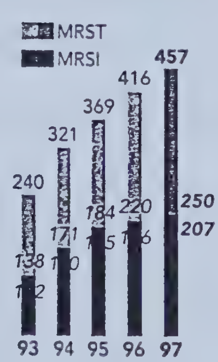
L to R: Ed Merchand, Graham Senst, Scott Sinclair, André Fredericks

Financial Summary

Mortgages and Personal Loans Administered
(in billions of dollars)



Number of RRSP Accounts
(in thousands)



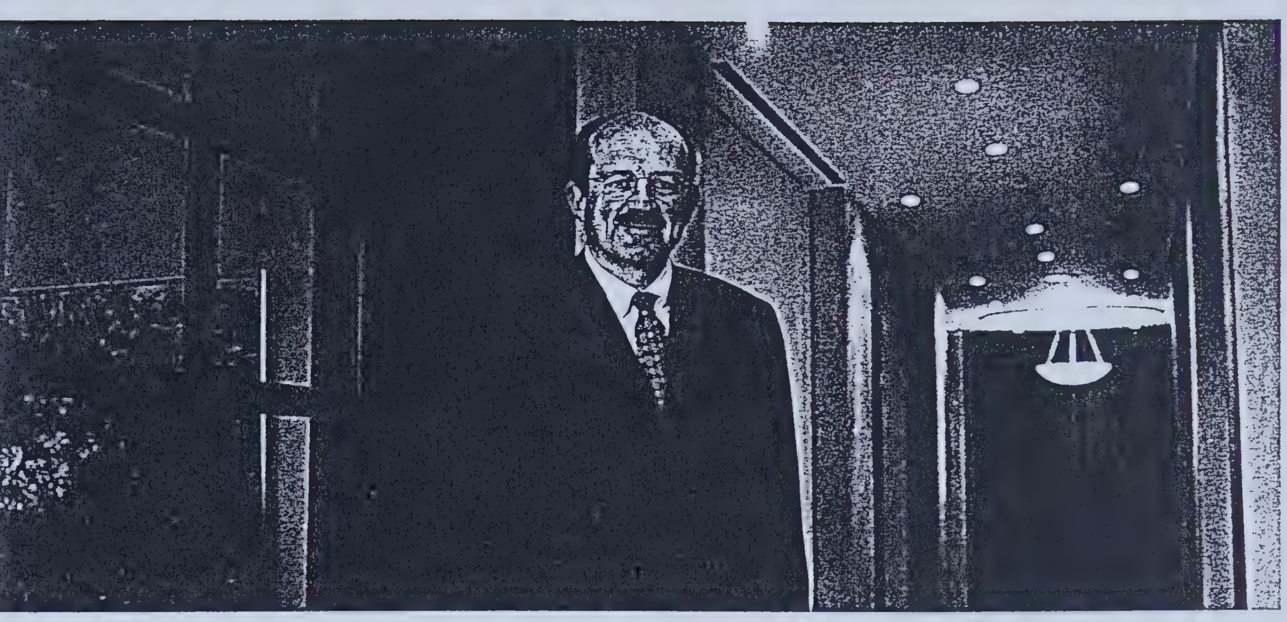
Contribution to Corporate Earnings
(in millions of dollars)

Products and Services

- Loans for RRSP contributions
- Mortgages
- Guaranteed Investment Certificates (GICs)

Self-directed registered plans:

- Registered Retirement Savings Plans (RRSPs)
- Group RRSPs
- Registered Retirement Income Funds (RIFs)
- Life Income Funds (LIFs)
- Life Income Retirement Accounts (LIRAs)



JIM HUNTER
Chief Operating Officer

A year of operating milestones

Fiscal 1997 shattered all previous records:

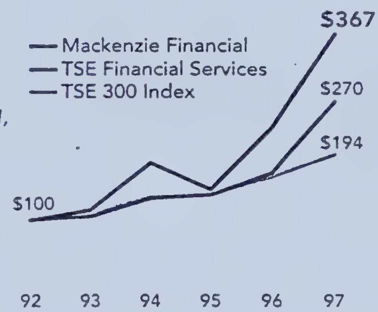
- The financial performance of all of our subsidiaries set records.
- Net sales of Canadian and U.S. mutual funds hit $4.2 billion — substantially above our previous best year.
- Net earnings of $66 million reached an all time high.
- Mackenzie Investment Management Inc. made its first significant contribution — $10.2 million of our net earnings.
- Our stock began the year at $13.00 and finished the year at $20.25.

BUILDING FINANCIAL INDEPENDENCE

by generating a superior return on your investment

Mackenzie shares have outperformed

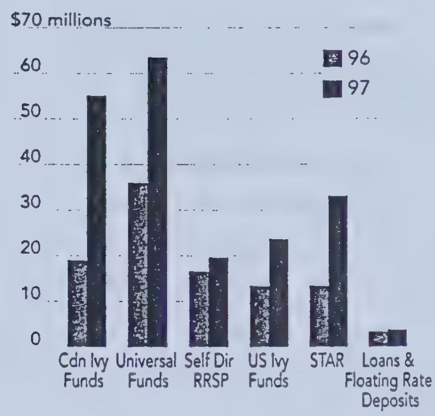
The five year total return on Mackenzie common shares is 267 percent, among the highest in the financial services sector.



$100 invested on March 31, 1992 in stock or index including reinvestment of dividends. Fiscal years ending March 31.

New products have bolstered revenue

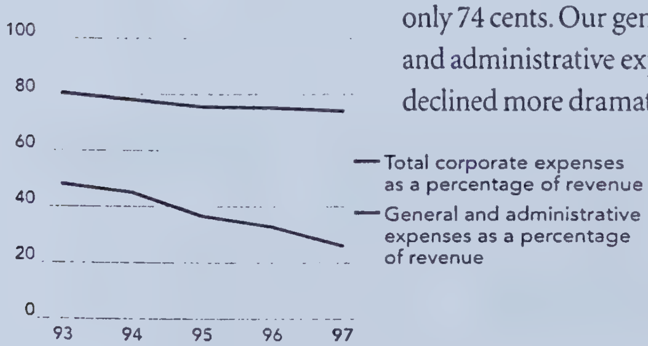
Our revenues have climbed by 156% over the last five years, driven by products and services that were introduced during that period.



Revenue from products which did not exist prior to 1992

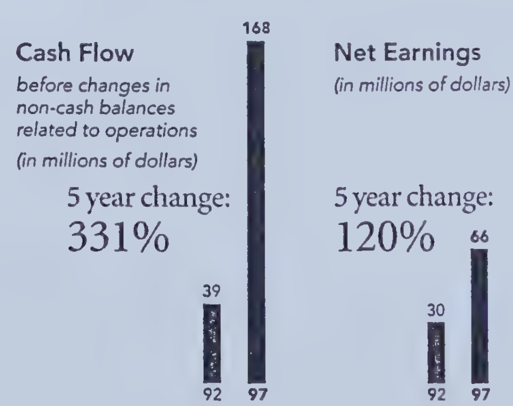
Productivity has increased

We have kept a tight rein on expenses. We have added assets to generate more revenue, while using proportionately fewer capital resources. During 1993, we spent 81 cents to generate one dollar of revenue. During fiscal 1997 we spent only 74 cents. Our general and administrative expenses declined more dramatically.



Strong operating cash flow

Increasingly, our growth has been financed from internally generated cash. The Corporation began financing its deferred load sales for its own account in 1993. We intend to continue this strategy because cash flow returns from this investment are expected to grow faster than earnings and to exceed financing costs.



Marketing leaders in the industry

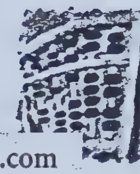
As we have successfully managed costs, we've also enhanced service quality, as measured by independent rating services. Dalbar Inc. (Boston-based research and consulting firm) — and other industry rating services — continue to rank Mackenzie's Canadian mutual fund marketing as the "**best in the industry.**"

BUILDING FINANCIAL INDEPENDENCE

by offering you choice and performance

A focus on diversification

- Seventeen new Ivy and Universal funds were launched in Canada during the past five years. They are overseen by world-class investment managers in Canada, the U.S., Europe and the Far East.
- Our U.S. subsidiary launched ten new Ivy Funds in the United States over the past five years, concentrating its focus on international markets.
- STAR, Canada's leading asset allocation service, was developed three years ago based on investment techniques designed to optimize performance with lower portfolio risk.
- We launched our Internet site.



http//www.mackenziefinancial.com

- A simpler fund prospectus was introduced. We also made account statements and application forms easier to read and understand.
- For the fifth consecutive year, we lowered operating expense ratios. We did so in part by mailing semi-annual financial statements only on request and by integrating June quarterly reports with the annual financial statements.

Service and product improvement

During the year:

- Three of the Canadian Ivy Funds were recognized by Maclean's magazine for excellent risk-adjusted three year returns.
- Three new Canadian portfolios were added to STAR.
- We launched two new Universal Funds in Canada and five new Ivy Funds in the United States.
- Telephone access to accounts and other critical information was improved. We established ACCESS LINE, a call in service available 24 hours-a-day, seven days-a-week.

As we move forward

To consistently outperform, we will strive to:

- attract and retain outstanding investment and management talent
- invest in world-class administrative systems, procedures, technology and research
- reduce your fund expenses, by using electronic channels such as the Internet to pioneer more efficient trading and communication with your financial advisors.

BUILDING FINANCIAL INDEPENDENCE

by delivering industry-leading support, so you can help your clients prosper

A focus on education

During the year, we:

- Hosted the 20th annual Mackenzie Conference.
- Conducted ten summer training programs.
- Launched the "Mackenzie University" educational conference program. Mackenzie University features a premier assembly of educational speakers and credit towards professional designations.
- Awarded continuing education credits for "MRS University" courses delivered to over 4,000 participants.
- Hosted over 60 road shows across Canada for our money managers to provide investment outlooks and fund updates.
- Led the industry by launching a customized Internet site for financial advisors.

http//advisor.mackenziefinancial.com

- Processed RRSP loan applications via the Internet — the first of many financial transactions we plan to make available through the Internet.
- Hosted the Mackenzie President's Council where more than 100 of Canada's top dealer executives and sales representatives generously shared their fresh ideas and insights on how we should enhance our products and services.
- Launched two business-building Group programs: the Registered Pension Plan and Deferred Profit Sharing Plan. Both are supported by our dedicated Group Team who develop sales ideas, proposals and presentations.
- Opened our Calgary Sales and Marketing office.

Addressing diversity

Our marketing materials have been printed in the English and French languages for many years. Now our Chinese language customer service group has been formed to provide marketing support materials and client service in both the Mandarin and Cantonese languages.

Our commitment

Our commitment is to continue to provide competitive compensation, industry-leading education and new opportunities for members of our industry to gather together and to share business ideas that benefit investors.

To our employees

BUILDING FINANCIAL INDEPENDENCE

by offering opportunities to better serve clients

Aligning employee needs with the goals of our fund investors and shareholders

- Employees are more committed than ever to our future success — 70 percent now own Mackenzie shares through our Employee Stock Purchase Plan.
- Our employees are working on better ways to serve our clients, including serving on specialized task forces.
- Enhanced technology— such as the Electronic Document Management System — and training are helping employees deliver faster, friendlier and more professional client service.

Opportunity for Advancement

- Last year we posted 170 job opportunities and filled 65 percent with internal candidates.
- Our $15 million annual investment in computer technology will improve communication amongst employees and provide them with the tools necessary for efficient service.
- We pay for courses and seminars leading to job-related professional designations, degrees and diplomas.
- We encourage and pay for memberships in relevant professional or other industry associations.

To our communities

BUILDING FINANCIAL INDEPENDENCE

by serving the community and those in need

A history of giving

We believe that healthy communities are critical to maintaining an environment that is condusive to long-term investing.

Over the past five years, we donated generously to community groups and charities across Canada including:

- Canadian Special Olympics programs.
- 30 children's charities through the Mackenzie Challenge.
- Princess Margaret Hospital, a leading cancer treatment centre.
- The Bay Street Invitational golf tournaments, which have raised more than $1 million for children's charities.

Our current focus

- During the year, our Charitable Donations Committee distributed more than $125,000, including $60,000 to Starlight Foundation Canada, which brightens the lives of seriously ill children and their families through wish granting and other entertainment-related activities.
- We continued our eight-year tradition of sponsoring the Blind and Disabled Ski Program on slopes around Toronto, Montreal, Ottawa and Vancouver.
- This year's Mackenzie Challenge raised over $30,000 from more than 2000 participants, in spite of rainy weather throughout the event.
- We contributed $10,000 to help start a financial planning program — a Canadian first — at George Brown's College Faculty of Business.

o all of our valued stakeholders

BUILDING FINANCIAL INDEPENDENCE

by offering a world of future opportunities

Historical outperformance of Canadian and U.S. stock and bonds markets

Fiscal '97 records were partially driven by the past two years of historical outperformance in stock and bond markets, both in Canada and abroad. To continue to prosper through the inevitable ups and downs of future markets, we have strategies and concrete action plans in place to continue to create value.

Stressing fundamental strategies

To compete effectively in the coming years, we will continue to stress our fundamental strategies:

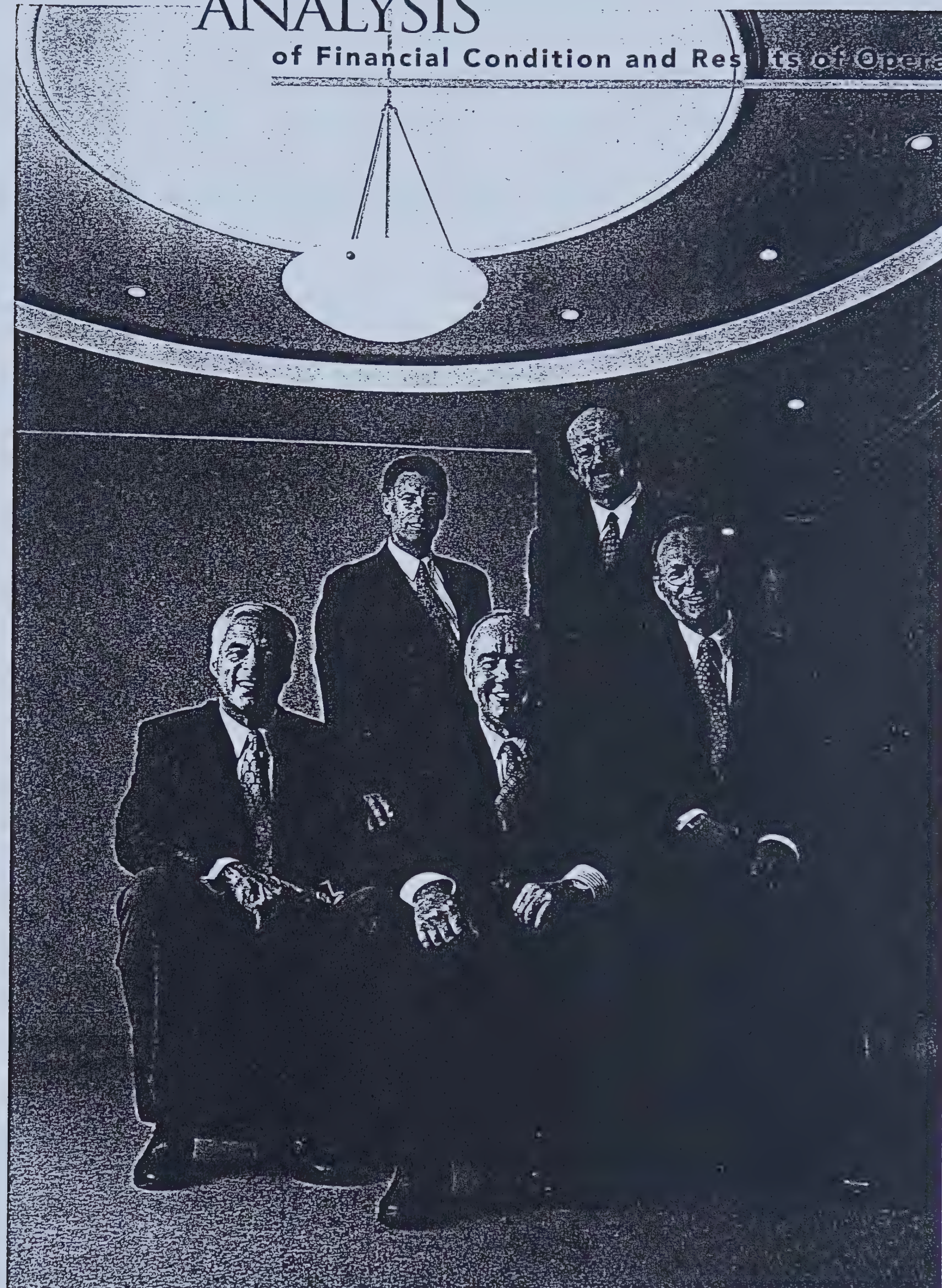
- providing our fund investors with superior, long-term investment performance from their Canadian and international fund investments;
- rewarding our shareholders with above-average returns on their investment;
- challenging our employees to constantly improve our products and services;
- keeping pace with global standards by investing in world-class products, service and technology; and
- fostering a culture of trust and integrity within our organization.

James L. Hunter

JAMES L. HUNTER
Chief Operating Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Financial Condition and Results of Operations



PHIL CUNNINGHAM
Canadian Funds

JIM HUNTER
Operations

MICHAEL LANDRY
U.S. Funds

NEIL LOVATT
Investments

HAROLD HANDS
Legal

The five officers shown, plus Alex Christ as President and Chief Executive Officer, comprise the Corporation's Executive Committee.

Summary of Operating Results

In fiscal 1997, the Corporation achieved record net earnings of $65.5 million, an increase of $24.8 million (60.6%) from fiscal 1996 net earnings of $40.7 million (1995 - $29.5 million). Earnings per share increased by $0.40 to $1.09 from $0.69 reported for fiscal 1996 (1995 - $0.50).

The increase in net earnings and earnings per share were attributable to:

- the increased profitability of the core and subsidiary businesses;
- a dilution gain arising from the public offering of common shares by our U.S. subsidiary Mackenzie Investment Management Inc.; and
- the increased earnings reported by Midland Walwyn Inc.(the Corporation owns 19% of Midland Walwyn's shares).

Improved profitability of the Corporation and its subsidiary businesses increased net earnings by $17.6 million to $53.1 million from $35.5 million for the year ended March 31, 1996 (1995 - $28.7 million). Earnings per share from these businesses increased by $0.28 to $0.88 per share as compared to $0.60 per share for the year ended March 31, 1996 (1995 - $0.49 per share).

Effective December 13, 1996 Mackenzie Investment completed a public offering of one million common shares at $8.50 per share through a prospectus filed with the securities commissions in all provinces and territories of Canada. The excess of the net proceeds from the issuance of the common shares over the Corporation's carrying value has been reported in the Statements of Earnings and Retained Earnings as a dilution gain in the amount of $3.1 million or $0.05 per share. No dilution gains were reported in fiscal 1996 or 1995.

The Corporation's investment in Midland Walwyn, reported as equity in earnings of affiliated company, contributed $9.9 million to net earnings as compared to $5.1 million for the year ended March 31, 1996 and $775 thousand for the year ended March 31, 1995. The contribution to earnings per share increased by $0.07 to $0.16 as compared to $0.09 for the year ended March 31, 1996 and $0.01 per share for the year ended March 31, 1995. Favourable market conditions throughout the year, a strong individual investor business and the growth in the investment banking and institutional equity businesses all contributed to record year-over-year net earnings performance reported by Midland Walwyn.

Total revenue for the year ended March 31, 1997 increased by $99.9 million (37.1%) to $369.3 million from $269.4 million for the year ended March 31, 1996 and $221.6 million for the year ended March 31, 1995. Increased revenue is primarily attributable to the growth in mutual fund assets managed in Canada and the U.S.

Total expenses increased by $71.0 million (35.0%) to $273.9 million from $202.9 million for the year ended March 31, 1996 and $167.8 million for fiscal 1995. Key contributors to the increase in expenses were:

- higher trail commissions to dealers and higher sub-advisor fees due to the growth in our mutual fund assets under administration;
- interest expenses incurred on the Senior Debentures issued by the Corporation April 2, 1996; and
- an increase in the amortization of deferred selling commissions, a result of increasing mutual fund sales on a deferred sales charge basis and the decision in fiscal 1996 to fund the payment of selling commissions internally.

The return on average shareholders' equity increased to 20.3% from 15.0% for the year ended March 31, 1996 and 12.1% for fiscal 1995.

Summary of Principal Business Activities

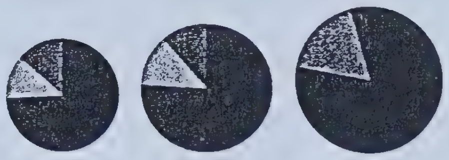
Canadian Fund Operations

The Corporation's core business activity is the provision of management services to public mutual funds in Canada. We provide directly, or contract for, all investment management, marketing and administration services required by the funds. As at March 31, 1997 we offered a total of 37 mutual funds to investors in Canada, comprising the Industrial, Ivy and Universal fund families. As of that date, the combined assets in the three fund families totalled $17.2 billion and represented 77.8% of the Corporation's managed asset base of $22.1 billion (1996 - $16.9 billion; 1995 - $13.1 billion).

CHART 1

Assets under Management

As at March 31



	95	96	97
Canadian mutual fund assets	74.4%	76.0%	77.8%
U.S. mutual fund assets	12.0%	12.7%	17.8%
Counsel accounts	13.6%	11.3%	4.4%
	100.0%	100.0%	100.0%

Our Canadian mutual fund assets remain our core business activity.

The Canadian Fund Operations are also the Corporation's major source of revenue: management fees charged to the funds range from 0.5% per year for money market funds, up to 2.0% per year for equity funds. Certain additional operating expenses incurred in the operation of the funds are reimbursed to the Corporation. The Corporation also earns administration revenue from its STAR strategic asset allocation service and from the administration of registered plan accounts. For the last fiscal year, management and administration fees from Canadian Fund Operations again represented the highest component of revenue, as described in Table 3.

The three principal components of the management services are:

- portfolio investment management for the funds;
- distribution services to promote the sale of the funds' securities to the public through independent financial services companies; and
- administrative services, including transfer agency, fund and trust accounting, financial reporting and regulatory compliance.

Investment Management

Fund performance is a critical factor in achieving long-term growth in assets under management. Strong investment performance adds assets through market appreciation and generally contributes to greater new fund sales in later periods. Our in-house investment management teams have built a strong long-term performance record for the funds. Continued fund performance and expansion of the investment management teams remain key strategies of the Corporation going forward.

During the past three years the Corporation has added three in-house portfolio managers and six research analysts to its investment management teams. We now employ nine portfolio managers and seven research analysts. The Corporation has also engaged prominent domestic and international sub-advisors as external investment management teams to provide geographic and specialized investment services for several of the funds within the Universal fund family. The names of the sub-advisors and the funds which receive their investment management expertise are listed on page 48 of this Annual Report. Mackenzie Investment is the principal sub-advisor, providing investment management services to six Universal funds with over $1 billion of Canadian fund assets.

Drawing upon the expertise of our sub-advisors has enabled us to launch eight new funds within the past three years. The Corporation's current line-up of mutual funds offers Canadian investors one of the broadest ranges of investment management by asset class, by geographical location of investments, by currency and by stock selection process. We regard our current fund line-up as a significant advantage over many of our competitors.

The breadth of the product line-up has also been a major strength for the Corporation in connection with the launch of its STAR strategic asset allocation service. That program enables the Corporation to combine seven different funds, with different asset classes, management styles and geographic focus, into each of 17 portfolios within the STAR service. Each portfolio is designed to provide a Canadian investor with consistent performance along with a level of volatility (risk) suited to the investor's personal needs. The STAR program has surpassed $2 billion in assets from its launch in January 1995 and is currently Canada's most successful asset allocation service.

The Corporation intends to continue its additions to the investment management team to ensure that it remains a significant competitive advantage in the future. Our investment management depth enabled us to replace a recently resigned senior portfolio manager by immediately transferring lead-manager responsibility for his two funds to another senior portfolio manager within our organization who utilizes the same management style and investment disciplines. The result was a continuation of the same high quality investment management services without disruption to fund investors.

Distribution Services

The major focus of the Corporation's marketing team is to establish brand recognition for our funds at the investor level using our corporate name and logo.

Mackenzie
Building Financial Independence

Brand recognition is becoming increasingly important as the industry continues to grow exponentially and competition increases with the arrival of new fund organizations and the blurring of the industry's traditional distribution channels.

The previously clear-cut distribution channels were:

- banks and trust companies, which distributed their funds through their branch office networks;
- direct-to-public sellers, which utilized an employed sales force to distribute their funds; and
- independent dealers, which distribute funds from unrelated fund organizations.

CHART 2

Market share by distribution channel (assets)

As at March 31

	95	96	97
Independent dealers	42.7%	44.7%	44.1%
Direct to public	20.2%	18.8%	19.2%
Banks + financial institutions	37.1%	36.5%	36.7%
	100.0%	100.0%	100.0%

Independent dealers are the largest distribution channel.

As this decade draws to a close the distribution channels and mutual fund providers are starting to overlap. Banks and trust companies are starting to distribute funds from the independent fund organizations. Insurance companies in the direct-to-public category are now also distributing third party funds through their large employed sales forces. And, some banks and trust companies are beginning to request networking arrangements from independent fund organizations to expand the distribution potential of their branch networks.

The Corporation has long been a major supporter of the independent distribution network. The Corporation has received very strong support for its recent product initiatives and, as at March 31, 1997 had a major market share (16.7%) of that channel's fund assets (1996 - 17.4%; 1995 - 17.9%).

The Corporation is committed to the independent distribution network as its principal channel of distribution and does not expect that emphasis to change. The Corporation is the leading provider of education and training programs for independent financial advisors and will continue, and expand those programs with the objectives of improving the quality of financial advice Canadian fund investors receive.

However, the Corporation also expects its current share of the market to increase in each of the other two distribution channels as well. All duly licensed mutual fund distributors are permitted to sell our funds under Canada's existing competition laws. As the banks and trust companies seek non-proprietary funds for their branch offices, our funds likely will be considered because of their long-term performance records, our existing investment management teams, products and services, and our success in establishing brand recognition for our funds. For the same reasons, our funds and investment management services are attractive to insurance companies and we have already seen major expansion of sales from those organizations.

Although the "Mackenzie" name is our most important recognition element for fund investors, at the distributor level it is the availability of the three fund families and the STAR program which has led to our recent gains in new fund sales. Within our 37 funds in those fund families we offer the financial advisor the opportunity to fully diversify his or her client's assets, without having to look to the products of another fund organization.

As of March 31, 1997, the Ivy funds had grown to $4.7 billion from $nil in 1992, and the Universal funds had grown to $3.8 billion from $296 million in January 1993. With the Industrial fund family assets at $8.7 billion, each of our fund families would have ranked in the top 20 fund organizations in the industry in terms of assets had they represented a separate fund organization.

The Ivy Funds are currently growing at a rate far exceeding the industry growth rate of 43% for the past year. The Universal Funds growth rate is virtually equal to the industry rate, but the Industrial Funds have significantly lagged the industry rate in recent years. We have made several changes to the Industrial Funds to strengthen them in the marketplace and we believe that those changes will help improve the growth rate for the Industrial Funds in future years.

CHART 3

Our Canadian Fund Assets — by Fund Families

(in billions of dollars)
As at March 31

	95	96	97
Industrial	$7.8	$8.5	$8.7
Ivy	0.5	1.7	4.7
Universal	1.4	2.6	3.8
	$9.7	$12.8	$17.2

The Ivy and Universal families have added valuable diversification and growth.

At the distribution company level, the challenge is to be among the four or five organizations which are given significant "shelf space". Investor recognition is a key factor, but dealer service and support often wins the favour of the sales representative. We are investing significantly in administrative services support and will maintain our commitment to dealer education. Our 20 years of experience hosting the industry's leading annual educational conference has been transformed into one day "Mackenzie University" educational conference programs conducted in major centres across the country, several times per year. The Mackenzie University programs are accredited for continuing education requirements within the industry and comply with the sales practices guidelines adopted by The Investment Funds Institute of Canada.

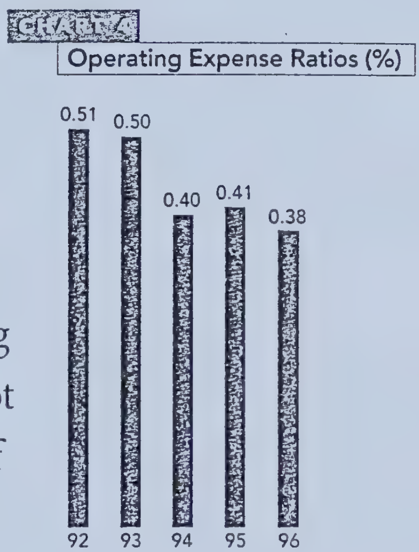
The mutual fund industry continues to face significant regulatory change in the coming years: higher sales practices standards; more effective disclosure rules; new restrictions on personal trading by portfolio managers; a self-regulatory organization for distributors; and more restrictive advertising rules. Such changes will affect all industry participants and will help to maintain the confidence of the investor in the integrity and trust in the industry.

Our Corporation is well positioned to participate in shaping these new standards for the future. During the past two years we have revised our fund prospectus document to be more reader-friendly and to convey more meaningful information to investors. Our current marketing programs are all designed in compliance with the new sales practices and advertising rules. Our internal business conduct policies ensure continued fair treatment of our fund investors. We do not view regulatory change as a risk to our continued success in this industry.

Administrative Services

An on-going objective of our administrative services is to continue to lower the operating expenses for our funds, while continuing to improve service quality. A single, consolidated prospectus for all of our mutual funds began the process of reducing fund expenses. It has been followed by creating simpler, more effective client statements; by allowing fund investors to "opt-in" for the receipt of optional information rather than automatically mailing the material to our 750,000 investors; and by developing a process to consolidate mailings to the same household to further reduce unnecessary postage costs. All of these initiatives, and several others, have helped us reduce our fund operating expenses for the fifth straight year.

Our challenge is to continue to reduce operating expenses, but not at the expense of service quality.



Mutual fund years ended June 30

We also are continuing to invest heavily in new technology to provide faster, more accurate responses to dealer and investor account enquiries. New processes have been developed to create electronic imaging of all documents received, and to transfer those documents through the settlement process electronically, rather than manually.

As we closed our 1997 fiscal year, the Corporation was solidly established as Canada's fourth largest Canadian fund operation. We believe it will continue to represent the major portion of our managed assets for the foreseeable future. The Canadian Fund Operations will also continue to generate the major portion of our corporate revenue.

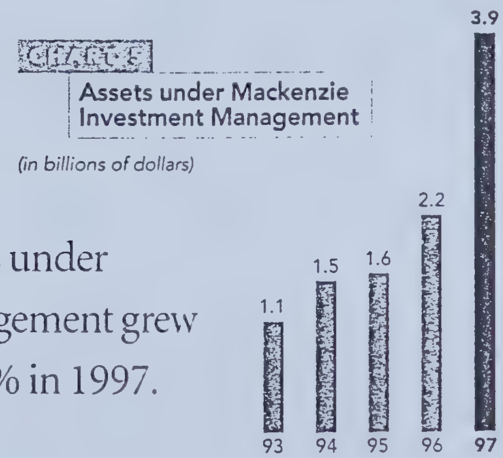
Although management fee pressure has not yet become an issue in the Canadian fund industry, with the size of each of its managed funds (virtually all of the Corporation's Canadian funds are over $100 million, and several are over $500 million) the Corporation is well-positioned to remain competitive without sacrificing the quality of the management services that it provides to the Canadian funds and their investors.

U.S. Fund Operations

In the United States, management services are provided by Mackenzie Investment and its subsidiaries to 21 funds offered solely in the U.S. In addition, Mackenzie Investment also provides investment sub-advisory services to six funds in the Universal Funds family, which are distributed and managed in Canada by the Corporation.

During the past five fiscal years, the assets managed by Mackenzie Investment have grown significantly. Most of this growth has been provided by the sales and performance success of Ivy International Fund (discussed below) and the growth of the Universal Funds.

Assets under management grew by 83% in 1997.



Years ended March 31

Mackenzie Investment has positioned itself as a niche company offering mutual funds with an emphasis on international and emerging growth investing. As at March 31, 1997, 74% of its managed assets were in international funds, 17% in U.S. equity funds, 5% in tax-free municipal bond funds and 4% in taxable fixed income funds. The international and emerging growth segments of the U.S. mutual fund industry have fewer competitors and offer higher profit margins. Mackenzie Investment intends to continue its focus in these specialized segments.

In order to provide these specialized investment management services, Mackenzie Investment has assembled an experienced team of five portfolio managers and six research analysts. Mackenzie Investment has also opened research offices in Shanghai, China, and in Prague, Czech Republic. The management team's principal focus is on providing consistently acceptable investment returns while protecting against excessive volatility.

Mackenzie Investment derives its revenues principally from management fees charged on the assets under management. U.S. mutual fund assets under management increased by 83.2% to $3.9 billion from $2.2 billion as at March 31, 1996; a record year-over-year growth. This growth was attributable to net sales (gross sales less redemptions) of $1.4 billion and market performance and dividend reinvestment of $345 million. Refer to Tables 1 and 2 for further details.

The U.S. funds are distributed in a manner similar to that employed for the Corporation's Canadian funds, through independent brokers and dealers, financial planners, registered investment advisors and to institutional investors such as retirement plans.

During the past three years, Mackenzie Investment has significantly strengthened its distribution arrangements by the addition to its roster of distributors of several U.S. wire order firms. These major dealer organizations have quickly become the major sources of distribution for the U.S. funds. The principal fund which benefitted from that additional sales support during the past three years was Ivy International Fund.

Ivy International Fund represented $2.7 billion of the total $3.9 billion in assets under management as at March 31, 1997 and 98.6% of total net sales for fiscal 1997. The fund increased 139.5% during the year from $1.1 billion as at March 31, 1996. The investment portfolio is managed by Northern Cross Investments Limited as sub-advisor to Mackenzie Investment. Northern Cross believed strongly that continued growth at the rates experienced during the past 18 months would impede its ability to manage the fund to its previous standards. Effective April 18, 1997 the fund closed to shareholders not already invested in the fund; existing shareholders continue to be able to invest in the fund.

Mackenzie Investment has launched Ivy International Fund II for investors not already in Ivy International Fund. The fund's portfolio is managed by Mackenzie Investment's internal management team and not by Northern Cross. Management is very optimistic about prospects for sales of this new fund which should benefit from the strong brand name recognition developed by Mackenzie Investment's existing international products.

Management is confident that net sales of the U.S. funds will outstrip redemptions over the next year. However, with closing of Ivy International Fund it is highly likely that the le of net sales will be lower than last year. To compensate, management continues to enhance investment performance and distribution of the other managed mutual funds. Initiatives currently underway to expand the sales force, increase advertising and public relations efforts and more effectively utilize outside telemarketing resources. These initiatives should enable Mackenzie Investment to continue to grow its asset ba and management fee revenues. Although Mackenzie Investment will be subject to a deferred tax provision in fisca 1998, we believe it will continue to contribute to the Corporation's profitability.

In December 1996, Mackenzie Investment completed a public offering of one million shares of its common stock, an listed its common shares on The Toronto Stock Exchange. Th net proceeds of the offering ($7.2 million) will be used primarily to fund operating requirements such as the payment o selling commissions on deferred load shares. If net sales excee current estimates, Mackenzie Investment has arranged an adequate standby credit facility to help fund the deferred load selling commissions.

Trust and Administrative Businesses

M.R.S. Trust Company

The Corporation's trust company operations are conducted by M.R.S. Trust Company, with offices in Toronto, Calgary, Vancouver and Victoria. The initial purpose in acquiring M.R.S. Trust in 1986 was to provide trustee and administration services to the Corporation's registered retirement savings plans, registered retirement income funds, registered education savings plans and group retirement savings plans. Currently, this service is also provided for the self-directed savings plans administered by Multiple Retirement Services Inc.

M.R.S. Trust also conducts a traditional mortgage lending business within the capital and regulatory parameters established by the Loan and Trust Corporations Act (Ontario). Over the past five years it has focused on improving the overall quality of its mortgage portfolio by increasing the CMHC insured component (refer to Table 5). During this same period, M.R.S. Trust developed a program to aggressively manage mortgage arrears and a significant improvement has been realized in the arrears levels in its commercial mortgage portfolio (refer to Tables 6 and 7).

To reduce its exposure to credit risk in its conventional commercial mortgage portfolio, M.R.S. Trust has exited its relationship with weaker borrowers, while pursuing high quality business with new and existing customers. For its conventional residential mortgages and RRSP contribution loans, M.R.S. Trust has introduced an enhanced credit scoring system which allows it to develop relationships between individual credit scores and the future performance of a loan. M.R.S. Trust will not sacrifice the quality of its portfolio to achieve growth targets.

In addition to its direct mortgage lending activities, M.R.S. Trust sources and administers CMHC insured mortgages for the Corporation's Ivy Mortgage Fund and the mortgage-backed securities market. In fiscal 1998, M.R.S. Trust will introduce a mortgage referral program which will allow it to source mortgages from the same financial advisors who sell the Corporation's mutual funds. This program will be launched initially in Ontario and then throughout the remainder of Canada as the necessary regulatory approvals are obtained.

During fiscal 1995, M.R.S. Trust commenced an RRSP contribution loan program for clients of financial advisors utilizing the administration services of Multiple Retirement Services. In 1997, this program was expanded to include RRSP accounts sponsored by the Corporation. RRSP contribution loans increased to $85 million for the year ended March 31, 1997 from $10 million during fiscal 1995. In the current year, M.R.S. Trust made these loan applications available over the Internet. This proved to be very successful — over 20% of the applications were received through this delivery channel. Management intends to expand its Internet capabilities in 1998 for both RRSP contribution loans and residential mortgage loan applications.

M.R.S. Trust maintains sufficient liquid and capital resources to meet its on-going business needs and to satisfy all regulatory requirements. To manage its exposure to changes in interest rates, M.R.S. Trust utilizes cashflow, duration and simulation methodologies and enters into hedging instruments to mitigate its financial exposure to adverse movements in interest rates.

M.R.S. Trust will continue to concentrate on developing specialized trustee services for the Corporation and Multiple Retirement Services, expanding its loan programs, creating innovative financial products to be offered through the independent financial advisor network and enhancing the capabilities of its employees to deliver effective financial products and services.

Multiple Retirement Services Inc.

Multiple Retirement Services is a dealer focused administrative services business offering self-directed retirement plans and other financial services products to dealers' clients. Multiple Retirement Services presently has 207 thousand investor accounts (1996 – 196 thousand; 1995 – 185 thousand) representing approximately $9.8 billion of assets under administration (1996 – $7.4 billion; 1995 – $5.6 billion).

Multiple Retirement Services provides record-keeping, tax reporting and purchase and redemption processing services to its investor clients under arrangements that earn an annual administration fee for each account. The Corporation's mutual fund investors comprise approximately 21% of Multiple Retirement Services' assets under administration. Multiple Retirement Services also enjoys strong support from a number of other major mutual fund organizations.

During the year, Multiple Retirement Services upgraded its existing computer system and continued to acquire the necessary personnel to broaden its product line and enhance its service platform. Dealers are increasingly demanding a broader range of services to allow them to compete with other financial service providers who are able to cross-sell a similar range of services to their clients.

While service continues to improve at Multiple Retirement Services, much has yet to be done. Multiple Retirement Services has formulated an ambitious set of undertakings to be completed by management in 1998. This will enable independent financial advisors to offer higher levels of service to their clients. Modifications to its account administration platform are underway to provide the following functionality:

- trustee services for firms which are members of the Investment Dealers Association;
- non-registered investment accounts;
- a broader range of securities trading capabilities;
- a broader array of loan products;
- transaction and commission-based fee alternatives to the current account-based fee; and
- multi-fund company asset allocation plans based on the technology developed for the Corporation's STAR strategic asset allocation service.

The most significant factors affecting Multiple Retirement Services on-going operations is the trend in the industry for the mutual fund dealers to move their RRSP administration services in-house and the continued pressure on service providers to reduce or eliminate annual trustee fees. To address these issues management has undertaken a number of initiatives to bring Multiple Retirement Services' service to industry-leading standards. Initiatives currently underway include enhancing Multiple Retirement Services' trading capabilities and modifying customer statements to provide account activity and other needed information. Management is also looking at providing the registered sales representatives with alternatives to the existing annual fee arrangements, thereby allowing representatives to choose a more flexible fee structure for their clients.

Because of the trend for investors to rely increasingly on registered tax plans and to consolidate their investments within a single plan to simplify personal administration, the Corporation believes that Multiple Retirement Services' business operations will continue to expand. By doing so, Multiple Retirement Services will maintain its position as the largest provider of self-directed mutual fund plans in Canada to clients of independent financial advisors.

Investment Counsel Accounts

In addition to its Canadian and U.S. Fund Operations, the Corporation provides management services to 23 investment counsel accounts. Assets in the investment counsel accounts totalled $974 million as at March 31, 1997, down approximately $900 million from the prior year due to the departure of a single, large mutual fund account for which the Corporation provided investment management services. Management fees are charged to the investment counsel accounts at annual rates up to 0.60%. Although the management fee rates are significantly lower than the rates for mutual funds, the Corporation incurs only limited marketing costs and no commission financing costs. The investment management services are provided by the Corporation's in-house investment management teams.

The investment counsel accounts are not a material contributor to the Corporation's revenues and net earnings. However, the Corporation has been successful during the pa year in attracting additional accounts, principally from the insurance industry sector for the management of segregated insurance fund products. Without the costs associated with it management of mutual funds, the Corporation's profit margins on the investment counsel accounts are acceptable. The Corporation intends to continue its efforts to attract new accounts and to grow the assets under management in this segment of its business activities.

Investment in Midland Walwyn Inc.

The Corporation owns approximately 19% of the ordinary shares of Midland Walwyn, the holding company for Canada's only independent, integrated full service investment dealer, Midland Walwyn Capital Inc. Midland Walwyn provides a broad range of products and services to individuals, institutions, corporations and government clients. The favourable markets and demographic changes predicted to benefit the mutual fund industry during this decade should also benefit Midland Walwyn.

Two of the Corporation's senior officers are directors of Midland Walwyn, but the holding company and investment dealer businesses are managed without direction from the Corporation. Midland Walwyn continues to be a major distributor of the Corporation's mutual funds and provides valuable expertise in corporate finance and other areas when retained by the Corporation. However, its proprietary mutual fund business, Atlas Capital, offering 23 funds, competes directly with the Corporation.

The Corporation accounts for its investment in Midland Walwyn using the equity method, whereby its proportional share of Midland Walwyn's operating results are included in the Corporation's consolidated net earnings.

REVENUE

Management and administration fee revenues relating to the Canadian and U.S. Fund Operations represented 75.2% of the Corporation's total revenue as compared to 73.6% for fiscal 1996 (1995 - 72.8%).

During the year ended March 31, 1997, our Canadian and U.S. managed assets increased by 31.2% to $22.1 billion from $16.9 billion as at March 31, 1996 (1995 - $13.1 billion). The relevant components of assets under management are shown on Table 1.

The record growth in mutual fund assets under management in fiscal 1997 was attributable to increased net sales, as reported on Table 2, and strong performance by our mutual funds in Canada and the U.S.

Net sales of the Corporation's Canadian mutual funds in the amount of $2.8 billion and fund performance of $1.6 billion, combined to provide year-over-year growth in assets of $4.4 billion to $17.2 billion from $12.8 billion as at March 31, 1996 (1995 - $9.7 billion).

Net sales of Mackenzie Investment's U.S. mutual funds increased to $1.4 billion from $0.3 billion in 1996 (1995 – $nil). Net sales combined with fund performance and reinvested distributions in the amount of $0.3 billion increased assets by $1.7 billion to $3.9 billion from $2.2 billion as at March 31, 1996 (1995 - $1.6 billion).

The decline in Canadian investment counsel account fees reflected a decision by a client to restructure its mutual fund to adopt a "multi-manager" structure. These fund assets, which amounted to approximately $1.1 billion as of March 31, 1996, were transferred effective July 31, 1996.

TABLE 1

Assets Under Management

(in billions of dollars)

As at March 31	**1997**	% Change	1996	% Change	1995
Canadian Fund Operations	**$ 17.2**	34.3	$ 12.8	31.7	$ 9.7
U.S. Fund Operations	**3.9**	83.3	2.2	36.4	1.6
Investment Counsel Accounts	**1.0**	(48.7)	1.9	6.6	1.8
	$ 22.1	31.2	$ 16.9	28.9	$ 13.1

TABLE 2

Mutual Fund Sales and Redemptions

(in billions of dollars)

Years ended March 31	**1997**	Change	1996	Change	1995
Gross Sales					
Canada	**$ 5.3**	$ 1.4	$ 3.9	$ 0.9	$ 3.0
United States	**1.9**	1.2	0.7	0.4	0.3
Total	**$ 7.2**	$ 2.6	$ 4.6	$ 1.3	$ 3.3
Redemptions					
Canada	**$ 2.5**	$ 0.4	$ 2.1	$ –	$ 2.1
United States	**0.5**	0.1	0.4	0.1	0.3
Total	**$ 3.0**	$ 0.5	$ 2.5	$ 0.1	$ 2.4
Net Sales					
Canada	**$ 2.8**	$ 1.0	$ 1.8	$ 0.9	$ 0.9
United States	**1.4**	1.1	0.3	0.3	–
Total	**$ 4.2**	$ 2.1	$ 2.1	$ 1.2	$ 0.9

Management and Administration Fees include fees charged to the Corporation's Canadian and U.S. mutual funds, investment advisory fees charged to investment counsel accounts, registered plan account fees and mortgage servicing, mortgage banking and mortgage origination fees generated by the M.R.S. Trust.

Management and administration fees, net of distribution fees paid to retail limited partnerships which have been consolidated into Mackenzie Master Limited Partnership, increased by $84.0 million (37.1%) to $310.4 million from $226.4 million in 1996 (1995 - $189.5 million) as detailed in Table 3. The increase was directly attributable to the increase in assets under management in each of the reported years.

The increase in Multiple Retirement Services' administration fee revenue, reported as registered plan account fees on the revenue schedule, was primarily attributable to the growth in accounts under administration to approximately 207 thousand from 196 thousand last year.

The increase in mortgage and trust administration fees for M.R.S. Trust was attributable to:

- the transfer of the billings of Multiple Retirement Services account fees to M.R.S. Trust and the payment of a monthly administration fee by M.R.S. Trust to Multiple Retirement Services for services performed on the accounts; and
- higher trustee and termination fees earned on third party business.

This revised billings structure has enhanced the cash flow of Multiple Retirement Services, eliminating its requirement to borrow for operating activities and incur interest charges on the debt. The difference between the amount invoiced to the Multiple Retirement Services account holders and the administration fee paid to Multiple Retirement Services is reported as administration fees.

Distribution revenue includes:

- redemption fees earned on the funds for which the Corporation and Mackenzie Investment were the primary distributors;
- commission revenue on sales of Mackenzie Investment's sponsored funds on a front end load basis; and
- revenue from direct investment by the Corporation in limited partnerships formed to pay selling commissions for sales of units of the Corporation's Canadian mutual funds sold on a back load basis.

All of the limited partnerships have subsequently been consolidated into Mackenzie Master Limited Partnership and units of the partnership listed on The Toronto Stock Exchange.

TABLE 3

Source of Management and Administration Fees

(in thousands of dollars)

Years ended March 31	1997	Change	1996	Change	1995
Gross Canadian mutual fund management and administration fees	$ 273,367	$ 69,772	$ 203,595	$ 34,244	$ 169,351
Distribution fees paid to limited partnerships	(23,912)	2	(23,914)	(1,385)	(22,529)
Net revenue from Canadian mutual fund management and administration fees	249,455	69,774	179,681	32,859	146,822
Counsel account fees	3,042	(1,022)	4,064	(61)	4,125
U.S. mutual fund management	28,364	9,824	18,540	3,950	14,590
Registered plan account fees	22,612	3,572	19,040	2,752	16,288
Mortgage and trust administration fees	4,630	1,925	2,705	(1,355)	4,060
Other	2,302	(31)	2,333	(1,296)	3,629
	$ 310,405	$ 84,042	$ 226,363	$ 36,849	$ 189,514

TABLE 4

Distribution Revenue

(thousands of dollars)

Years ended March 31	1997	Change	1996	Change	1995
Redemption fees					
Canadian Mutual Funds	$ 15,136	$ 6,435	$ 8,701	$ 3,439	$ 5,262
U.S. Mutual Funds	713	294	419	193	226
Commissions					
U.S. Mutual Funds	11,009	6,508	4,501	807	3,694
Investment in limited Partnership	1,157	48	1,109	36	1,073
Other	839	668	171	296	(125)
	$ 28,854	$ 13,953	$ 14,901	$ 4,771	$ 10,130

Distribution revenue increased by $14.0 million to $28.9 million from $14.9 million for the year ended March 31, 1996 as detailed on Table 4. The decision by the Corporation to fund the payment of selling commissions directly since early in fiscal 1994 combined with the growth in sales of Canadian and U.S. mutual funds were the key contributors to the increase.

Interest Income Relating To Lending Operations includes interest from mortgage and consumer RRSP loans, interest earned on Multiple Retirement Services investor cash float balances and mortgage-backed securities sales fee revenue received by M.R.S. Trust.

Interest relating to lending operations decreased by $1.8 million to $20.7 million from $22.5 million for the year ended March 31, 1996 (1995 - $15.2 million) due primarily to declines in the mortgage loan portfolio to $165.1 million from $202.3 million last year (1995 - $184.2 million) and the weighted average interest rate of the mortgage loan portfolio to 7.9% from 8.6% last year. Declining interest earned on Multiple Retirement Services investor cash float balances, due to lower interest rates, was offset by the increase in consumer RRSP loan interest.

Over the past five years M.R.S. Trust has focused on improving the overall quality of its mortgage portfolio by increasing the CMHC issued component to 69.8% of the mortgage portfolio as at March 31, 1997 as compared to 9.3% as at March 31, 1992 and reducing conventional commercial lending activities.

TABLE 5

CMHC Insured Mortgage Loans

(as a percentage of total mortgage loans)

As at March 31	1997	1996	1995	1994	1993
Percentage Issued	69.8%	66.8%	57.1%	34.8%	24.6%

TABLE 6

Conventional Commercial Mortgage Loans

(in millions)

As at March 31	1997	1996	1995	1994	1993
Loan Value	$19.3	$26.5	$27.4	$30.2	$31.3

TABLE 7

M.R.S. Trust Loan Statistics

(thousands of dollars)

As at March 31	1997	Change	1996	Change	1995
M.R.S. Trust Loans					
Consumer RRSP Loans	**$ 55,986**	$ 27,384	$ 28,602	$ 18,347	$ 10,255
CMHC insured mortgages	**115,242**	(19,832)	135,074	29,824	105,250
Conventional residential mortgages	**30,524**	(10,148)	40,672	(10,823)	51,495
Conventional commercial mortgages	**19,329**	(7,193)	26,522	(915)	27,437
	221,081	(9,789)	230,870	36,433	194,437
Allowance for credit losses	**(3,286)**	2,854	(6,140)	(1,933)	(4,207)
	$ 217,795	$ (6,935)	$ 224,730	$ 34,500	$ 190,230
Loan administration – third parties					
Institutional mortgage clients	**$ 503,056**	$ (116,552)	$ 619,608	$ (27,569)	$ 647,177
Mortgage-backed securities	**198,244**	36,385	161,859	47,424	114,435
Ivy Mortgage Fund	**159,267**	87,732	71,535	47,422	24,113
Securitized consumer RRSP loans	**33,375**	33,375	–	–	–
	$ 893,942	$ 40,940	$ 853,002	$ 67,277	$ 785,725
Total loans administered	**$1,111,737**	$ 34,005	$ 1,077,732	$ 101,777	$ 975,955

M.R.S. Trust loan arrears (over 60 days)

As at March 31	1997	1996	1995
Consumer loans	**0.20%**	0.04%	0.00%
CMHC insured mortgages	**2.18%**	1.66%	0.81%
Conventional residential mortgages	**3.95%**	4.30%	2.86%
Conventional commercial mortgages	**7.74%**	22.71%	21.31%

During this period management has developed a program to aggressively manage mortgage arrears which resulted in a significant reduction in non-performing commercial mortgage loans. Credit risk policies and practices were also developed and implemented to improve the quality of lending activities and to assist management with the timely identification of potential arrears problems. Management believes that the allowance for credit losses as at March 31, 1997 (Table 7) is sufficient to absorb known and future losses in the consumer loan and mortgage loan portfolios.

Gain on Sale of Investments increased by $2.6 million to $2.5 million from a loss of $53 thousand for the year ended March 31, 1996. Sales of the Corporation's investments in fund seed capital, common and preferred stock and a Government of Canada bond resulted in the increase. The proceeds from the sale of investments were used to pay selling commissions.

EXPENSES

General and administrative expenses increased by $8.0 million to $96.3 million from $88.3 million for the year ended March 31, 1996 (1995 - $80.9 million). Compensation expenses for higher staffing levels attributable to the growth in business and enhanced earnings performance combined with expenses relating to the implementation of information technology initiatives accounted for the increase.

Trail commission to dealers increased by $18.0 million to $59.8 million from $41.8 million for the year ended March 31, 1996 (1995 - $33.1 million) due to the growth in mutual fund assets under management in Canada and the U.S. Table 8 provides the trail commissions applicable to the Canadian and U.S. Fund Operations.

TABLE 8

Trail Commission

(thousands of dollars)

Years ended March 31	**1997**	Change	1996	Change	1995
Canadian Fund Operations	**$ 54,836**	$ 15,889	$ 38,947	$ 8,141	$ 30,806
U.S. Fund Operations	**4,988**	2,112	2,876	625	2,251
	$ 59,824	$ 18,001	$ 41,823	$ 8,766	$ 33,057

Sub-advisor fees increased by $8.0 million to $16.1 million from $8.1 million for the year ended March 31, 1996 (1995 - $4.5 million) due to the growth in mutual fund assets in Canada and the U.S. administered by independent portfolio managers as detailed on Table 9. (Intercompany sub-advisory fees have been eliminated from the schedule.)

TABLE 9

Sub-advisor Fees

(thousands of dollars)

Years ended March 31	**1997**	Change	1996	Change	1995
Canadian Fund Operations	**$ 6,636**	$ 2,581	$ 4,055	$ 1,587	$ 2,468
U.S. Fund Operations	**9,452**	5,443	4,009	2,005	2,004
	$ 16,088	$ 8,024	$ 8,064	$ 3,592	$ 4,472

Interest on senior debentures increased by $7.4 million, a result of the issuance, effective April 2, 1996, of $100 million of unsecured indebtedness evidenced by $50 million aggregate principal amount of 7.20% Senior Debentures designated as Series 1, maturing March 15, 1999 and $50 million aggregate principal amount of 7.72% Senior Debentures designated as Series 2, maturing March 15, 2001.

Amortization of deferred selling commissions increased by $30.5 million to $61.9 million from $31.4 million for the year ended March 31, 1996 (1995 - $20.6 million). Higher sales of Canadian and U.S. mutual funds on a deferred sales charge basis, combined with the decision by the Corporation to pay selling commissions directly, resulted in the increase.

TABLE 10

Amortization of deferred selling commission

(thousands of dollars)

Years ended March 31	**1997**	Change	1996	Change	1995
Canadian Fund Operations	**$ 58,100**	$ 27,842	$ 30,258	$ 10,179	$ 20,079
U.S. Fund Operations	**3,836**	2,675	1,161	595	566
	$ 61,936	$ 30,517	$ 31,419	$ 10,774	$ 20,645

Liquidity and Capital Resources

The Corporation's strategy is to maintain sufficient capital and liquid assets to:

- finance its own operations;
- provide the capital requirements of subsidiary companies;
- service its debt;
- pay dividends to shareholders; and
- acquire new businesses should opportunities arise.

The Corporation and Mackenzie Investment pay selling commissions to dealers who sell units of managed mutual funds on a back load basis which, during high volume periods, places significant demands on capital resources. Improved market performance during the past few years, fuelled by low interest rates and inflation, changing demographics and an increasing investor awareness of capital markets, has led to significant increases in mutual fund sales, especially on a back load basis.

The challenge facing the Corporation is to:

- maintain sufficient capital resources to pay selling commissions during these periods of high growth; and
- to ensure that capital resources and liquid assets exceed short-term requirements should acquisitions or other opportunities arise.

Capital resources are generated internally through retained earnings and externally through bank financing, the issuance of debentures and notes payable and the sale of common shares by the Corporation and Mackenzie Investment. Previously the Corporation had funded a portion of the selling commissions through the sale of units of limited partnerships. The last limited partnership formed by the Corporation was Mackenzie Limited Partnership 1994.

In April 1996 the Corporation issued $100 million of unsecured senior debentures and in December 1996 Mackenzie Investment issued one million shares of its common stock at a price of $8.50 per share and listed the shares on The Toronto Stock Exchange. The Corporation also generated $11.9 million from the exercise of stock options as compared to $2.2 million for the previous year. The proceeds from these issues will be used primarily to pay selling commissions to dealers. During the year the Corporation funded directly $187.5 million in selling commissions and $23.2 million was paid by Mackenzie Investment. To provide additional liquidity should an unforseen event occur, the Corporation also maintains a $50 million line of credit with a Canadian chartered bank and, in March 1997 Mackenzie Investment extended its loan facility from a U.S. bank to $10 million (U.S.).

M.R.S. Trust maintains sufficient liquid assets to meet ongoing operating and regulatory requirements. M.R.S. Trust uses customer deposits to fund mortgage lending activities. The sale of units of Ivy Mortgage Fund and mortgage-backed securities and the securitization of mortgages and RRSP consumer loans have also been used to enhance liquidity.

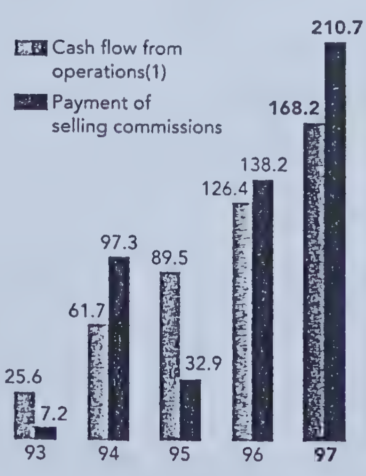
Liquidity and capital ratio requirements are monitored on a regular basis and reported to the regulatory authorities on a monthly basis.

In addition to utilizing the increasing cash flow generated from operating activities, the Corporation will continue to pursue other financing opportunities to maintain liquidity and the strong capital base required to increase managed assets and complete other strategic initiatives.

CHART 3

Cash flow and payment of selling commissions

(in millions of dollars)



(1) Before payment of selling commissions and non-cash balances related to operations

Increasing fund sales require higher capital resources.

The Outlook

Increases in the Corporation's managed assets lead directly to revenue increases because most of our fee revenue is derived as a percentage rate of assets under administration. The growth in assets under administration in fiscal 1997 clearly will lead to higher revenue in fiscal 1998. Ensuring continuing profitability gains in 1998 and beyond will be a principal management focus.

We expect business prospects for the Corporation's Canadian and U.S. Fund Operations to improve further. The highly successful initial public offering by Mackenzie Investment in December 1996 was a telling sign that Mackenzie Investment's prospects had reached a new level. Increasing growth at Mackenzie Investment and acceptance of their international and emerging growth funds is exciting for long term shareholders who suffered through our initial losses in the U.S. Fund Operations.

M.R.S. Trust's asset quality has steadily improved in recent years. Management expects enhanced future returns from this operation as interest margin spreads continue to widen and new securitized products begin to contribute to a more diversified revenue base.

Fiscal 1998 will be a year of extensive product and service launches for Multiple Retirement Services. That subsidiary has a business vision modelled after services provided by Schwab and others in the U.S. market to independent dealers. Successful execution of this model should substantially broaden Multiple Retirement Services' revenues, contributing to significant economies of scale.

We continue to benefit from the excellent results generated by the management team which independently operates Midland Walwyn. Continued high levels of new issue activity, improved institutional market share and higher trading volumes on Canadian stock exchanges have steadily improved Midland Walwyn's earnings results and its future prospects.

Two factors could have a moderating impact on near-term earnings growth. First, any retreat in securities prices in stock and bond markets will serve to reduce revenue growth by decreasing the value of our assets under administration. Persistent declines in security values have also historically reduced future mutual fund sales, until security values again increase. Second, the volatility in the contribution from Midland Walwyn is an aspect of the brokerage industry that can never be ignored, regardless of the experience and expertise of its management team.

Management views the Corporation and its subsidiaries as a flexible financial services platform from which a wide variety of investment management products and services can be provided to independent dealers in Canada and the U.S. Mackenzie Investment's recent successes and the opportunity provided by new technology, such as the Internet, have resulted in a vision of the future which has broad scope for growth. Growth will come not only from the businesses where we currently compete and dealers we now serve — but also from new emerging products and services independent dealers will need to stay competitive in the future and eventually — from international dealers who are just beginning to sell our Canadian and U.S. mutual funds abroad.

Management has plans and products on the drawing board that it expects will complement current growth. In 1997 over 50% of the Corporation's consolidated revenue came from products launched or acquired after 1992. We will continue to introduce new products and services on an on-going basis to ensure that an acceptable rate of growth in shareholder value is maintained.

To spearhead that growth the Corporation stresses basic fundamental strengths:

- outstanding, motivated employees;
- superior long-term investment performance;
- quality administrative systems and services;
- a high commitment to the independent distribution network; and
- a strong balance sheet.

Management believes these strengths will result in continued improvements in earnings and shareholder value in future years.

Management's Report to the Shareholders

The accompanying consolidated financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Corporation. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial statements.

Management is responsible for the maintenance of a system of internal controls designed to provide reasonable assurance that the Corporation's assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared.

The Corporation's Audit, Finance and Risk Committee is appointed by the Board of Directors annually and is comprised entirely of non-management directors. The Audit, Finance and Risk Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit, Finance and Risk Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The independent auditors have direct access to the Audit, Finance and Risk Committee of the Board of Directors.

The consolidated financial statements have been independently audited by Coopers & Lybrand on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

Alexander Christ

ALEXANDER CHRIST
President and Chief Executive Officer

James Dryburgh

JAMES T. DRYBURGH
Senior Vice-President and Chief Financial Officer

May 8, 1997

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Mackenzie Financial Corporation as at March 31, 1997 and 1996 and the consolidated statements of earnings and retained earnings and changes in financial position for each of the years in the three year period ended March 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended March 31, 1997 in accordance with accounting principles generally accepted in Canada.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants

Toronto, Canada
May 8, 1997

As at March 31
(thousands of dollars)

	1997	1996
Assets		
Cash and short-term investments *(note 8)*	$ 126,741	$ 103,188
Accounts and other receivables *(note 8)*	106,296	61,781
Income taxes recoverable	52,844	38,055
Loans *(notes 3 and 8)*	217,795	224,730
Deferred selling commissions and investment in related partnerships *(note 4)*	368,285	219,506
Investment in affiliated company	68,682	60,429
Management contracts	12,497	14,360
Capital assets *(note 6)*	26,648	25,922
Goodwill	6,099	7,104
Other assets *(note 7)*	6,660	12,396
	$ 992,547	$ 767,471
Liabilities		
Bank loans	$ 6,805	$ 14,800
Accounts payable and accrued liabilities	86,268	49,965
Customer deposits *(note 8)*	278,302	283,478
Debentures and notes *(note 9)*	131,341	37,973
Deferred taxes	128,389	92,803
Minority interest	4,661	—
	635,766	479,019
Commitments and Contingency *(notes 13 and 14)*		
Shareholders' Equity		
Capital stock *(note 10)*		
Authorized – Unlimited number of common shares		
Issued and outstanding		
– 61,129,815 (1996 – 59,628,615) common shares	52,887	41,028
Retained earnings	303,894	247,424
	356,781	288,452
	$ 992,547	$ 767,471

(The accompanying notes are an integral part of these consolidated financial statements.)

Signed on behalf of the Board

Alexander Christ

ALEXANDER CHRIST
Director

F. Warren Hurst

F. WARREN HURST
Director

Consolidated Statements of Earnings and Retained Earnings

For the years ended March 31
(thousands of dollars except per share figures)

	1997	1996	1995
Revenue			
Management and administration fees	$ 334,317	$ 250,277	$ 212,043
Less distribution fees paid to limited partnerships	(23,912)	(23,914)	(22,529)
	310,405	226,363	189,514
Distribution revenue	28,854	14,901	10,130
Interest relating to lending operations	20,684	22,466	15,187
Interest and dividends	6,860	5,732	6,760
Gain (loss) on sale of investments	2,509	(53)	(19)
	369,312	269,409	221,572
Expenses			
General and administrative	96,339	88,334	80,951
Trail commissions to dealers	59,824	41,823	33,057
Subadvisory fees	16,088	8,064	4,472
Interest expense relating to deposit operations	12,853	15,098	11,389
Interest expense on bank loans	540	795	647
Interest expense on notes payable *(note 9)*	2,264	2,688	3,084
Interest expense on senior debentures *(note 9)*	7,419	—	—
Depreciation and amortization of capital assets	13,739	10,255	9,225
Amortization of goodwill	1,066	1,258	1,197
Amortization of management contracts	1,863	3,174	3,174
Amortization of deferred selling commissions *(note 4)*	61,936	31,419	20,645
	273,931	202,908	167,841
Earnings before provision for income taxes, equity in earnings of affiliated company and dilution gain	95,381	66,501	53,731
Provision for (recovery of) income taxes *(note 11)*			
Current	6,722	(13,377)	(639)
Deferred	35,586	44,380	25,705
	42,308	31,003	25,066
Net earnings before equity in earnings of affiliated company and dilution gain	53,073	35,498	28,665
Equity in earnings of affiliated company	9,905	5,230	785
Dilution gain	3,062	—	—
Minority interest share of earnings	(526)	—	—
Net earnings for the year	65,514	40,728	29,450
Retained earnings – beginning of year	247,424	215,402	193,064
Adjustment for impaired loans		(390)	—
	247,424	215,012	193,064
Dividends paid	9,044	8,316	7,112
Retained earnings – end of year	$ 303,894	$ 247,424	$ 215,402
Earnings per share – basic	$ 1.09	$ 0.69	$ 0.50
Fully diluted earnings per share *(note 10(b))*	$ 1.03	$ 0.66	$ 0.49

(The accompanying notes are an integral part of these consolidated financial statements.)

For the years ended March 31
(thousands of dollars)

	1997	1996	1995
Operating Activities			
Net earnings for the year	$ 65,514	$ 40,728	$ 29,450
Items not affecting cash –			
Depreciation and amortization	78,604	46,106	34,241
Deferred taxes	35,586	44,380	25,705
Adjustment for impaired loans	—	(390)	—
Equity in earnings of affiliated company net of dividends received of $910 (1996 – $840; 1995 – $840)	(8,995)	(4,390)	55
Dilution gain	(3,062)	—	—
Minority interest share of earnings	526	—	—
	168,173	126,434	89,451
Net (increase) decrease in non-cash balances related to operations *(note 12)*	(22,978)	(43,203)	12,208
	145,195	83,231	101,659
Financing Activities			
Proceeds from (repayment of) bank loans	(7,995)	1,788	8,245
Repayment of notes payable	(6,632)	(6,211)	(5,816)
Proceeds from issue of senior debentures *(note 9)*	99,053	—	—
Net proceeds from issue of Mackenzie Investment Management Inc. shares	7,174	—	—
Increase (decrease) in customer deposits	(5,176)	69,598	34,535
Payment of dividends	(9,044)	(8,316)	(7,112)
Issue of common shares	11,859	2,215	52
	89,239	59,074	29,904
Investing Activities			
Purchase of capital assets	(14,465)	(13,463)	(15,160)
Payment of selling commissions	(210,715)	(138,168)	(32,876)
Decrease (increase) in loans	6,935	(34,500)	(47,630)
Decrease (increase) in other assets	6,683	2,628	(3,333)
Purchase price of shares in subsidiary company	(61)	(69)	(27)
Proceeds from sale of affiliated company *(note 5)*	742	—	—
Increase in investment in affiliated company	—	—	(555)
	(210,881)	(183,572)	(99,581)
Increase (decrease) in cash and cash equivalents	23,553	(41,267)	31,982
Cash and cash equivalents – beginning of year	103,188	144,455	112,473
Cash and cash equivalents – end of year	$ 126,741	$ 103,188	$ 144,455
Cash	$ 11,145	$ 8,907	$ 3,692
Short-term investments	115,596	94,281	140,763
	$ 126,741	$ 103,188	$ 144,455

(The accompanying notes are an integral part of these consolidated financial statements.)

For the years ended March 31, 1997, 1996 and 1995
(thousands of dollars except per share figures)

1 Description of Business

The Corporation is incorporated under the Business Corporations Act (Ontario). Its shares, which are widely held, are listed on The Toronto Stock Exchange and the Montreal Exchange, under the ticker symbol MKF, and quoted on NASDAQ in the United States under the ticker symbol MKFCF. Effective December 13, 1996, the common shares of Mackenzie Investment Management Inc., a majority owned subsidiary of the Corporation, were listed on The Toronto Stock Exchange under the ticker symbol MCI.

The Corporation's principal business is the marketing and management of public mutual funds in both Canada and the United States. In addition, the Corporation provides investment management services to other public mutual funds and private accounts.

The Corporation's main ancillary businesses are the operations of M.R.S. Trust Company and Multiple Retirement Services Inc. These subsidiaries provide trustee and administrative services to registered accounts. As well, M.R.S. Trust Company conducts deposit taking and lending activities.

The Corporation maintains a minority interest in Midland Walwyn Inc., the holding company for the brokerage firm, Midland Walwyn Capital Inc.

2 Significant Accounting Policies

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in Canada. See note 18 for a reconciliation of differences between consolidated financial statements using Canadian generally accepted accounting principles and United States generally accepted accounting principles. The significant accounting policies are as follows:

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Principles Of Consolidation

The consolidated financial statements include the accounts of the Corporation and its directly and indirectly owned subsidiaries and partnership of which the principal operating entities are:

• Mackenzie Investment Management Inc. ("MIMI") (a Delaware company)	89%
• M.R.S. Trust Company ("MRSTC")	100%
• Multiple Retirement Services Inc. ("MRSI")	100%
• Mackenzie MEF Management Inc.	100%
• Mackenzie Securitized Partnership ("MSP")	100%
• Mackenzie Financial Services Inc. ("MFSI")	100%

Investment In Affiliated Company

The Corporation accounts for its investment in Midland Walwyn Inc. ("MWI") using the equity method whereby the investment is initially recorded at cost and adjusted to recognize the Corporation's share of after-tax earnings or losses less any dividends received. The excess of the purchase price of MWI over the value of net assets acquired of $15,298 is being amortized on a straight line basis over 20 years. The Corporation owns approximately 20.1% of the ordinary shares of MWI with a quoted market value of $85,400 (1996 - $56,000).

Short-term Investments

Short-term investments, consisting of liquid assets, are carried at amortized cost which approximates market value.

Foreign Currency Translation

MIMI, a U.S. company, is considered to be financially and operationally dependent on the Corporation and accordingly, the temporal method of translation is used. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates and revenue and expense items are translated at the average exchange rate prevailing throughout the year, except for depreciation and amortization which are translated at the same historical exchange rates as the assets to which they relate. Any resulting foreign exchange gains and losses are reflected in earnings.

Capital Assets

Capital assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided at annual rates as follows:

- Furniture and equipment - 20% diminishing balance basis
- Computer hardware - 30% diminishing balance basis
- Computer software - 50% straight-line basis
- Leasehold improvements - straight-line over term of lease

Loans

Loans are stated at cost, which includes interest capitalized and accrued, and other charges, less repayments and allowances for losses. Interest income on non-performing loans is not accrued. Loans are classified as being non-performing when a specific allowance has been established or when interest or principal is past due 90 days. When the value of any loan is identified as impaired, the carried amounts are adjusted to estimated realizable amounts. Estimated realizable amounts are measured by discounting reasonably determinable expected future cash flows at the effective interest rate inherent in the loan or using the fair value of underlying security less realization costs or observable market prices for the loans.

Goodwill

Goodwill is recorded at cost and is being amortized on a straight-line basis over ten years. The Corporation assesses the value of its goodwill by considering the estimated future economic benefit associated with the earnings capacity of its subsidiaries. Goodwill is written down when it is considered that a permanent impairment in ongoing value has occurred.

Management Contracts

Management contracts are recorded at cost and are amortized on a straight-line basis primarily over a ten year period. The Corporation assesses the value of its management contracts by considering the future economic benefit associated with the revenue capacity of the related mutual funds.

Selling Commissions And Investment In Related Partnerships

The Corporation directly finances selling commissions relating to its mutual funds which are distributed on a deferred sales charge basis. In addition, the Corporation previously participated with private investors in various related limited partnerships whose primary business purpose was to distribute and fund deferred sales charge mutual funds. The related limited partnerships were consolidated into Mackenzie Master Limited Partnership ("MLP") and the units of MLP were listed on The Toronto Stock Exchange. Selling commissions and investment in MLP are recorded at cost and are amortized over five to seven years. Unamortized deferred selling commissions and investment in MLP are written-off in the period to the extent that it is unlikely that expected future revenues will recover the unamortized costs.

Revenue from the financing of selling commissions by the Corporation, directly and indirectly through investments in MSP and MLP, is included in distribution revenue and amounted to $17,006 (1996 – $10,227; 1995 – $6,560) and in management and administration fees in the amount of $19,121 (1996 – $16,857; 1995 – $11,701).

3 Loans

An analysis of loans and related provision for credit losses is as follows:

	1997				1996
		Provision			
	Gross Amount	Specific	General	Carrying Amount	Carrying Amount
Loans:					
Residential and commercial mortgages	$ 164,966	$ 996	$ 1,910	$ 162,060	$ 195,830
Real estate	129	105	—	24	298
Consumer loans	55,986	—	275	55,711	28,602
Total loans	$ 221,081	$ 1,101	$ 2,185	$ 217,795	$ 224,730

Specific Provision

Loans are reviewed regularly by management to assess classification as non-performing and, where appropriate, to require provision or write-off. The determination of the estimated recovery amount of non-performing loans is based on discounting of estimated cash flows and the fair value of the underlying security or observable market prices, as appropriate, in accordance with management's recovery plan. The value of collateral, which may vary by type of loan and which may include cash, real property, accounts receivable, guarantees, inventory or other capital assets, is considered in establishing provisions.

General Provision

The general provision is established at a level which reflects management's estimate of the provision required in respect (the loans for which individual specific provision cannot yet l determined.

4 Deferred Selling Commissions and Investment in Related Partnerships

During the year ended March 31, 1997, the Corporation funded $210,715 (1996 – $138,168; 1995 – $32,876) in deferred selling commissions.

	1997	1996
Deferred selling commissions	$ 507,163	$ 296,448
Investment in MLP	6,996	6,996
	514,159	303,444
Accumulated amortization	145,874	83,938
	$ 368,285	$ 219,506

The Corporation recorded amortization of $60,537 (199(– $30,032; 1995 – $19,280) of deferred selling commissions funded directly and amortization of $1,399 (1996 – $1,387; 1995 – $1,365) of its investment in MLP.

Redemption fees are payable by mutual fund unitholders i mutual fund units acquired on a deferred sales charge basis are redeemed within a specified period. The Corporation ha: estimated that its entitlement to such redemption fees, net of the permitted 10% free redemptions, at March 31, 1997 woul have amounted to $467,559 (1996 – $255,363) if all unitholc ers had redeemed their fund units on that date.

5 Acquisitions and Divestitures

Effective June 30, 1994, the Corporation sold 50% of its investment in Versa Management Systems Limited ("VMSL") to employees of VMSL for $550 and commencing July 1, 1994, the Corporation accounted for its investment in VMSL using the equity method.

Effective June 10, 1996, the Corporation sold its remaining investment in VMSL to employees of VMSL for $742.

6 Capital Assets

	1997	1996
Furniture and equipment	$ 12,947	$ 11,520
Leasehold improvements	9,476	8,617
Computer hardware	14,162	12,678
Computer software	38,788	28,269
	75,373	61,084
Accumulated depreciation and amortization	48,725	35,162
	$ 26,648	$ 25,922

7 Other Assets

Other assets comprise the following:

	1997	1996
Mutual fund seed capital – at cost (quoted value $4,134; 1996 – $9,409)	$ 3,857	$ 8,693
Investments – at cost (quoted value $466; 1996 – $3,001)	322	2,159
Other	2,481	1,544
	$ 6,660	$ 12,396

8 Customer Deposits

M.R.S. Trust Company held segregated assets as collateral for customer deposits as follows:

	1997	1996
Cash and short term investments	$ 58,734	$ 72,952
Loans		
Mortgage loans	154,195	181,924
Consumer loans	53,159	28,602
Trustee fee receivable	12,214	—
Total assets held for customer deposits	$ 278,302	$ 283,478

9 Debentures and Notes

	1997	1996
Senior Debentures		
Series 1	$ 50,000	$ —
Series 2	50,000	—
	100,000	—
Notes	31,341	37,973
	$ 131,341	$ 37,973

Senior Debentures

Effective April 2, 1996, by short form prospectus, the Corporation issued $100,000 of unsecured indebtedness evidenced by $50,000 aggregate principal amount of 7.20% Senior Debentures designated as Series 1, maturing March 15, 1999 and $50,000 aggregate principal amount of 7.72% Senior Debentures designated as Series 2, maturing March 15, 2001. Interest on the Senior Debentures is payable in semi-annual instalments on March 15 and September 15. The expense of the issue, inclusive of underwriters' fees of $538, was $947.

Notes

Amortizing Asset-Backed Notes ("Notes"), Series 1994-1 mature on March 1, 2001, bear interest at 6.67% per annum, calculated semi-annually, and are repayable monthly in equal blended amounts of principal and interest of $744. A fixed and floating charge on MSP's right to receive distribution and related fees, the proceeds therefrom and amounts from investments of its liquid assets has been pledged as security for the Notes which are non-recourse to the Corporation. The annual principal payments required in each of the next four years are: $7,082 in 1998; $7,562 in 1999; $8,075 in 2000 and $8,622 in 2001, at which point in time the Notes will be fully repaid.

10 Capital Stock

(a) Stock Options

The Corporation has granted options to purchase common shares to employees and others, at a minimum of the market price on the date the options were granted. These options have five year terms and are exercisable one year from date of grant.

A maximum number of 1,537,191 common shares has been reserved for future options under the share option plans. The maximum number of shares to be allocated to each employee is 1% of the issued and outstanding common shares of the Corporation.

During the year ended March 31, 1997, options for 1,501,200 shares (1996 – 364,500; 1995 – 10,000) were exercised for cash proceeds of $11,859 (1996 – $2,215; 1995 – $52). The average weighted price for options issued during the year ended March 31, 1997 was $13.69 (1996 – $9.59; 1995 – $7.81).

Year Granted	Expiry Date	Exercise Price $	Outstanding March 31, 1996	Issued During Year	Exercised During Year	Cancelled During Year	Outstanding March 31, 1997
1992	1997	4.95 – 5.50	739,000	—	692,000	—	47,000
1993	1998	7.625 – 12.00	1,812,500	—	507,100	7,500	1,297,900
1994	1999	7.50 – 9.50	527,000	—	136,000	—	391,000
1995	2000	8.00 – 11.25	866,700	—	166,100	600	700,000
1996	2001	13.25 – 17.70	—	819,660	—	13,960	805,700
			3,945,200	819,660	1,501,200	22,060	3,241,600

(b) Earnings per Share

Fully diluted earnings per share have been calculated on the basis that all of the options to purchase common shares existing at the end of the year had been exercised at the beginning of the year.

1 Income Taxes

Reconciliation of statutory effective rates of income tax:

	1997 Amount	1997 Rate	1996 Amount	1996 Rate	1995 Amount	1995 Rate
nings before provision for income taxes	$ 95,381	100%	$ 66,501	100%	$ 53,731	100%
ome taxes at statutory federal and provincial rates	$ 42,559	44.6%	$ 29,673	44.6%	$ 23,857	44.4%
rease (decrease) from statutory rates:						
fit for the year – MIMI	(4,549)	(4.7)	(1,181)	(1.7)	(240)	(0.4)
exempt investment income	(95)	(0.1)	(113)	(0.2)	(296)	(0.5)
allowed expenses						
d and entertainment	905	1.0	1,223	1.8	935	1.7
ortization of goodwill	476	0.5	561	0.8	531	1.0
ortization of management contracts	188	0.2	773	1.2	769	1.4
vision for reassessment *(note 14)*	2,500	2.6	—	—	—	—
ner items	324	0.3	67	0.1	(490)	(0.9)
ome taxes reported	$ 42,308	44.4%	$ 31,003	46.6%	$ 25,066	46.7%

MIMI has non-capital losses for income tax purposes of proximately $27,755. The tax benefit of these losses has n reflected in the financial statements. These losses arise m timing differences between the deduction of expenses in financial statements and for income tax purposes and ire as follows:

Year ending	March 31, 2001	$ 1,104
	March 31, 2002	1,317
	March 31, 2003	1,740
	March 31, 2004	5,619
	March 31, 2005	2,665
	March 31, 2006	3,359
	March 31, 2007	2,917
	March 31, 2008	916
	March 31, 2010	478
	March 31, 2011	16
	March 31, 2012	7,624
	Total	$ 27,755

2 Supplemental Cash Flow Information

anges in non-cash balances related to operations:

	1997	1996	1995
(increase) decrease in non-cash balances related to operations:			
ounts and other receivables	$ (44,515)	$ (10,264)	$ (5,336)
ome taxes recoverable	(14,789)	(38,055)	10,854
ounts payable and accrued liabilities	36,326	15,373	(3,567)
ome taxes payable	—	(10,257)	10,257
	$ (22,978)	$ (43,203)	$ 12,208

13 Commitments

The Corporation has operating lease commitments as shown:

1998	$	10,962
1999		9,350
2000		7,058
2001		5,612
2002		5,336
2003 and thereafter		5,124
Total	$	43,442

14 Contingent Liability

In 1993, the Corporation established MSP, a securitized partnership, to fund selling commissions payable upon the sale of securities of the Corporation-sponsored Canadian mutual funds. The Corporation is a 99.9% partner of MSP and MFSI, a wholly-owned subsidiary of the Corporation, owns the remaining interest. The securitized partnership format enabled debt issued by MSP to receive a superior credit rating.

In calculating its income for tax purposes, the Corporation deducted the selling commissions of $162,960 paid by MSP in the years that they were incurred on the basis that the Corporation was carrying on its business of distributing securities of mutual funds through MSP, and that such deduction was therefore in compliance with Revenue Canada's established assessing policy regarding the immediate deduction of selling expenses of mutual fund managers and other financial institutions. Revenue Canada has informed the Corporation that notwithstanding the fact that the Corporation and its wholly owned subsidiary are the sole partners of MSP, in Revenue Canada's view the Corporation is not entitled to the immediate deduction of selling commissions incurred by MSP. Revenue Canada and subsequently the Ministry of Finance, Ontario have reassessed the Corporation on the basis that the selling commissions must be deferred and amortized. The tax issue is solely one of the timing of the deduction. The tax at issue is fully provided for on the Corporation's balance sheet under the headings "Income taxes recoverable" and "Deferred taxes".

In September 1995, the Corporation discontinued the use of MSP to fund selling commissions and now pays selling commissions directly.

The Corporation is contesting the reassessments. If the Corporation is not successful, management estimates that the maximum charge to earnings will be $3.7 million (approximately $0.06 per share) arising from the interest accrued to date in excess of amounts provided by for the Corporation. If any payment is required to be made it will be accounted for as a current period adjustment.

15 Segmented Information

The Corporation carries on its activities through one business segment, namely financial services, and in two geographic segments, Canada and the United States.

		Revenues	Earnings before Taxes and Equity in Earnings of Affiliated Companies	Net Earnings	Assets
1997	**Canada**	**$ 323,056**	**$ 85,187**	**$ 55,320**	**$ 905,592**
	United States	**46,256**	**10,194**	**10,194**	**86,955**
	Total	**$ 369,312**	**$ 95,381**	**$ 65,514**	**$ 992,547**
1996	Canada	$ 242,488	$ 63,855	$ 38,082	$ 733,742
	United States	26,921	2,646	2,646	33,729
	Total	$ 269,409	$ 66,501	$ 40,728	$ 767,471
1995	Canada	$ 201,330	$ 53,190	$ 28,909	$ 589,566
	United States	20,242	541	541	28,997
	Total	$ 221,572	$ 53,731	$ 29,450	$ 618,563

16 Fair Value of Financial Instruments

The amounts set out below represent the fair value of on- and off-balance sheet financial instruments of the Corporation. The amounts do not include the fair value of underlying lines of business.

While fair value amounts are designed to represent estimates of the amounts at which instruments could be exchanged in current transactions between willing parties, certain of the Corporation's financial instruments lack an available trading market. Therefore, fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flow and discount rates which reflect varying degrees of risk.

The estimated fair value of the remaining monetary assets and liabilities is approximately equal to book value as the items are short-term in nature.

The fair value of mortgages and consumer loans is determined by discounting the loans' expected future cash flows at market rates for loans with similar credit risk.

	Book value	Estimated fair value
Assets		
Other assets		
Seed capital	$ 3,857	$ 4,134
Investment in Canadian equities	322	466
Loans	217,795	223,349
Accounts and other receivables		
Receivable on sale of mortgage-backed securities	3,144	3,953
	$ 225,118	$ 231,902
Liabilities		
Customer deposits		
Guaranteed investment certificates	$ 278,302	$ 284,024
Asset backed notes, Series 1994-1	31,341	32,149
Senior debentures, Series 1 and 2	100,000	103,890
	$ 409,643	$ 420,063

17 Related-Party Transactions

During the year, the Corporation entered into transactions with an affiliated company in which a significant ownership exists. These transactions relate to sales of mutual fund products and include commissions and distribution costs at commercial rates totalling $21,401

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. United States generally accepted accounting principles ("US GAAP") differ in the following material areas:

(a) Cash and short-term investments

Under US GAAP, only short-term investments with original maturities in excess of three months are excluded from cash and short-term investments as defined in Statements of Financial Accounting Standards ("SFAS") No. 95. Such investments would have been reclassified to other assets.

(b) Deferred taxes

Under US GAAP, SFAS No. 109 requires deferred taxes to be accounted for by the liability method. Adjustments relate primarily to the difference in the book value and the tax value of affiliated companies and the recording of deferred taxes using current tax rates.

(c) Other assets

Under US GAAP, SFAS No. 115 requires trading securities be carried at market, with unrealized gains and losses included in earnings whereas under Canadian GAAP such assets are carried at the lower of cost or market.

(d) Primary earnings per share

Under US GAAP, primary earnings per share are calculated based upon the weighted average number of shares outstanding during each year plus common stock equivalents, such as common stock options, unless they are antidilutive. Primary income per share is computed as if common stock options were exercised at the beginning of the year, and as if funds obtained thereby were used to purchase the Corporation's common stock at the average market price during the year. Fully diluted income per share is calculated as if the proceeds from the exercise of common stock options were used to purchase the Corporation's common stock at its average market price during the year or its market value at the end of the year, whichever is higher.

(e) Stock based compensation

Under US GAAP, SFAS No. 123 encourages, but does not require, entities to record compensation expense based on the fair value of stock options on the date of grant. The Corporation expects to continue following the existing pronouncement which measures compensation expense based on the intrinsic value of the option on the date of grant.

The application of accounting principles generally accepted in the United States as previously described would have the following approximate effects on the consolidated financial statements:

Consolidated Balance Sheets

	1997	1996
Cash and short-term investments as reported	$ 126,741	$ 103,188
Effect of SFAS 95	(69,359)	—
Cash and short-term investments – US GAAP	$ 57,382	$ 103,188
Other assets as reported	$ 6,660	$ 12,396
Effect of SFAS 95	69,359	—
Effect of SFAS 115	1,098	1,558
Other assets – US GAAP	$ 77,117	$ 13,954
Deferred taxes as reported	$ 128,389	$ 92,803
Effect of SFAS 109	14,987	11,378
Deferred taxes – US GAAP	$ 143,376	$ 104,181
Shareholders' equity as reported	$ 356,781	$ 288,452
Effect of SFAS 109	(14,987)	(11,378)
Effect of SFAS 115	1,098	1,558
Shareholders' equity	$ 342,892	$ 278,632

Consolidated Statements of Earnings and Retained Earnings

	1997	1996	1995
Net earnings as reported	$ 65,514	$ 40,728	$ 29,450
Effect of SFAS 109	(3,609)	(3,561)	205
Effect of SFAS 115	(460)	1,826	(558)
Net earnings – US GAAP	$ 61,445	$ 38,993	$ 29,097

Weighted average number of shares outstanding during the year:

	1997	1996	1995
Primary	61,273,836	60,155,615	59,715,165
Fully diluted	62,541,516	60,570,264	59,716,644
Earnings per share:			
Primary	$ 1.00	$ 0.65	$ 0.49
Fully diluted	$ 0.98	$ 0.64	$ 0.49

The new earnings per share standard in the U.S. is similar to current Canadian GAAP.

Consolidated statements of changes in financial position

In addition to the adjustments previously described, under US GAAP, the payment of selling commissions and trust company borrowing and lending activities are classified as operating activities.

	1997	1996	1995
Cash provided by (used in) operating activities			
Under Canadian GAAP	$ 145,195	$ 83,231	$ 101,659
Payment of selling commissions	(210,715)	(138,168)	(32,876)
Trust company lending operations	6,935	(34,500)	(47,630)
Trust company borrowing activities	(5,176)	69,598	34,535
Under US GAAP	$ (63,761)	$ (19,839)	$ 55,688
Cash provided by (used in) financing activities			
Under Canadian GAAP	$ 89,239	$ 59,074	$ 29,904
Trust company borrowing activities	5,176	(69,598)	(34,535)
Under US GAAP	$ 94,415	$ (10,524)	$ (4,631)
Cash provided by (used in) investing activities			
Under Canadian GAAP	$ (210,881)	$ (183,572)	$ (99,581)
Trust company lending activities	(6,935)	34,500	47,630
Reclassification of short-term investments	(69,359)	—	—
Payment of selling commissions	210,715	138,168	32,876
Under U.S. GAAP	$ (76,460)	$ (10,904)	$ (19,075)

19 Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation as at and for the year ended March 31, 1997.

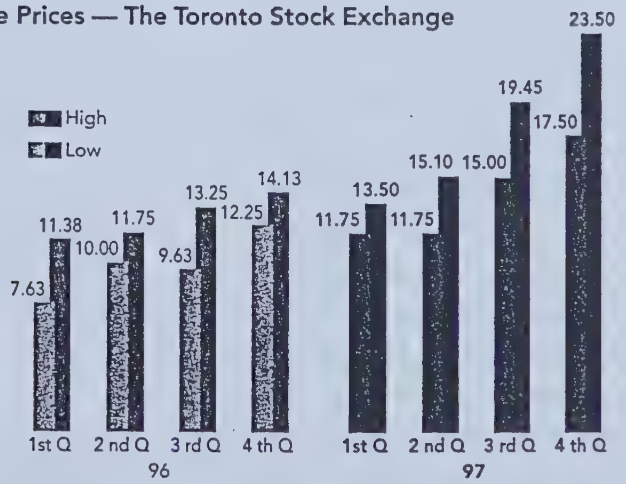
Selected Quarterly Financial Information

Unaudited
(millions of dollars except per share and price data)

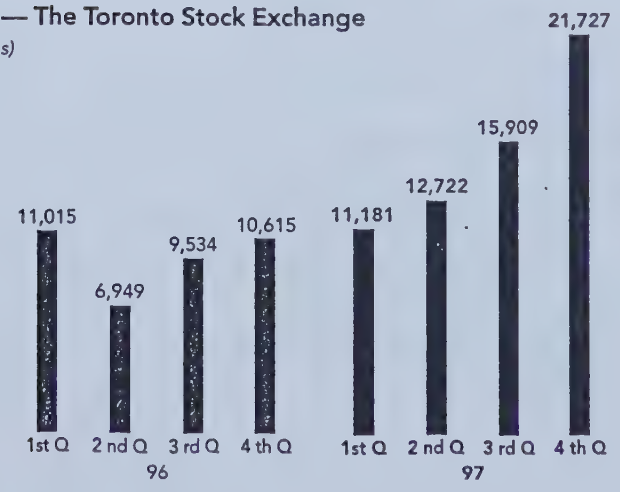
Fiscal 1997 *for quarter ended*	**June 30**	**September 30**	**December 31**	**March 31**
Revenues	**$ 83.20**	**$ 84.30**	**$ 93.20**	**$108.60**
Expenses	**$ 64.60**	**$ 63.80**	**$ 70.00**	**$ 75.50**
Equity in earnings of affiliated companies	**$ 2.10**	**$ 1.20**	**$ 4.00**	**$ 2.60**
Net earnings	**$ 11.80**	**$ 12.60**	**$ 20.00**	**$ 21.10**
Earnings per share	**$ 0.20**	**$ 0.21**	**$ 0.33**	**$ 0.35**

Fiscal 1996 *for quarter ended*	June 30	September 30	December 31	March 31
Revenues	$ 61.30	$ 64.30	$ 66.30	$ 77.50
Expenses	$ 45.90	$ 47.60	$ 50.90	$ 58.50
Equity in earnings of affiliated companies	$ 0.90	$ 0.80	$ 1.30	$ 2.20
Net earnings	$ 9.20	$ 9.70	$ 9.90	$ 11.90
Earnings per share	$ 0.16	$ 0.16	$ 0.17	$ 0.20

High/Low Share Prices — The Toronto Stock Exchange
(in dollars)



Trading Volume — The Toronto Stock Exchange
(in thousands of shares)



- Opened Universal Canadian Balanced Fund and Universal World Science & Technology Fund in Canada
- Opened five Ivy Funds in the United States: Ivy Asia Pacific Fund, Ivy Global Natural Resources Fund, Ivy International Fund II, Ivy International Small Companies Fund and Ivy Pan-Europe Fund
- Launched the "Mackenzie University" education programs for independent financial advisors in Canada
- Completed a public offering of Mackenzie Investment Management Inc. common shares and listed them on The Toronto Stock Exchange (stock symbol: MCI)

1968 • Opened Industrial Growth Fund

1971 • Opened Industrial Pension Fund

1972 • Acquired Industrial Equity Fund Limited

1973 • Mackenzie became a public company

1974 • Opened Industrial Income Fund

1975 • Acquired Industrial Dividend Fund Limited
• Opened Industrial American Fund

1976 • Acquired ITCO Investment Fund Limited

1977 • Merged Industrial Dividend Fund Limited with ITCO Investment Fund Limited

1980 • Acquired 30% interest in U.S.E. Fund Management Ltd.

1981 • Mackenzie's common shares listed on The Toronto Stock Exchange
• Acquired Mackenzie Equity Fund

1982 • Acquired Industrial Mortgage Securities Fund

1984 • Opened Industrial Cash Management Fund

1985 • Incorporated Mackenzie Investment Management Inc.
• Opened the Mackenzie Series Trust funds in the United States
• Opened Universal World Equity Fund

1986 • Acquired M.R.S. Trust Company

1987 • Opened Industrial Horizon Fund
• Formed Industrial Horizon Partnership 1987 and 1988
• Opened Mackenzie Canada Fund in the United States

1988 • Opened Industrial Future Fund
• Opened three tax exempt municipal funds in the United States
• Formed Industrial Horizon Partnership 1989

1989 • Opened Industrial Bond Fund
• Opened Mackenzie Growth and Income Fund in the United States

1990 • Formed Industrial Horizon Partnership
• Purchased minority interest in Midland Walwyn Inc.

1991 • Opened Industrial Balanced Fund
• Opened Industrial Short-Term Fund

1992 • Acquired Ivy Management, Inc. and management of the four Ivy Funds in the United States
• Opened Universal U.S. Emerging Growth Fund
• Formed Industrial Horizon Partnership 1992
• Opened four Ivy Funds in Canada

1993 • Formed Industrial Horizon Partnership 1992-II
• Acquired the remaining 70% of U.S.E. Fund Management Limited and management of the four Universal Funds
• Acquired Multiple Retirement Services Inc.

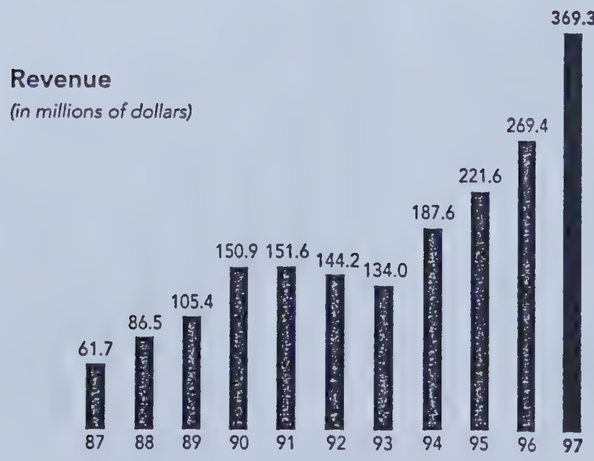
1994 • Opened Ivy China Region Fund and Ivy Emerging Growth Fund in the United States
• Opened Universal Far East Fund, Universal World Asset Allocation Fund, Universal World Emerging Growth Fund, Universal Precious Metals Fund, Universal World Balanced RRSP Fund and Ivy Mortgage Fund
• Formed Mackenzie Securitized Partnership
• Listed Mackenzie's common shares on NASDAQ and The Montreal Exchange

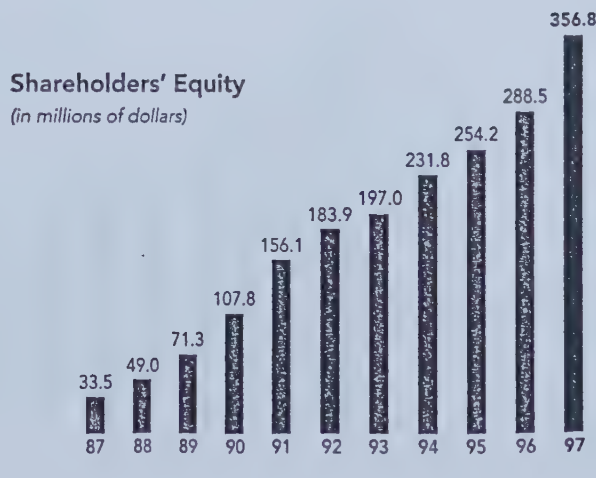
1995 • Opened Universal European Opportunities Fund, Universal Japan Fund, Universal U.S. Money Market Fund, Universal World Growth RRSP Fund and Universal World Tactical Bond Fund
• Opened Ivy Latin American Strategy Fund and Ivy New Century Fund in the United States
• Launched the STAR asset allocation service
• Formed Mackenzie Limited Partnership 1994 and Mackenzie Master Limited Partnership

1996 • Opened Universal Growth Fund
• Expanded the Star asset allocation service
• Issued $50,000,000 Series 1 and $50,000,000 Series 2 Senior Unsecured Debentures

For the years ended March 31
(thousands of dollars except per share figures)

	1997	1996	1995	1994	1993
Revenue	**$ 369,312**	$ 269,409	$ 221,572	$ 187,623	$ 133,951
Earnings before income taxes and equity in earnings (loss) of affiliated company	**95,381**	66,501	53,731	40,935	25,970
Income taxes	**42,308**	31,003	25,066	19,586	14,177
Equity in earnings (loss) of affiliated company	**9,905**	5,230	785	14,712	6,070
Net earnings	**65,514**	40,728	29,450	36,061	17,863
Operating cash flow	**145,195**	83,231	101,659	46,334	29,905
Depreciation and amortization	**78,604**	46,106	34,241	21,891	15,489
Debentures and notes	**131,341**	37,973	44,184	50,000	—
Shareholders' equity	**356,781**	288,452	254,215	231,825	196,950
Assets under administration ($ millions)	**22,152**	16,884	13,100	12,122	8,773
Common shares outstanding	**61,129,815**	59,628,615	59,264,115	59,254,115	58,128,400
Per share data					
Net earnings	**$1.09**	$0.69	$0.50	$0.61	$0.31
Net earnings (fully diluted)	**$1.03**	$0.66	$0.49	$0.60	$0.30
Operating cash flow	**$2.41**	$1.40	$1.71	$0.78	$0.52
Dividends paid	**$0.15**	$0.14	$0.12	$0.11	$0.10
Book value	**$5.84**	$4.84	$4.29	$3.91	$3.39

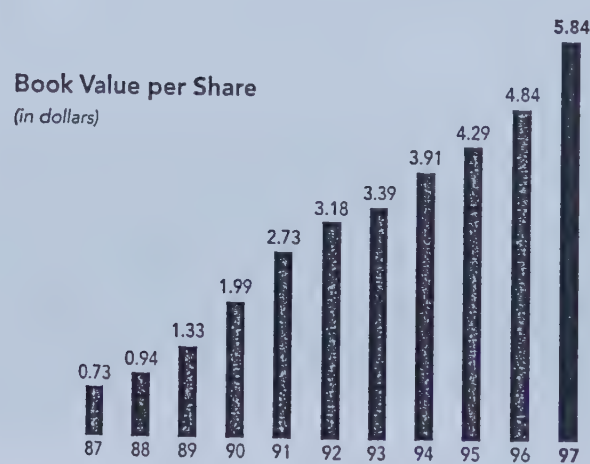




1992	1991	1990	1989	1988	1987
$144,229	$151,596	$150,888	$105,437	$86,499	$61,717
57,012	61,137	75,423	48,144	35,428	26,926
28,052	30,507	35,989	25,121	19,380	15,132
1,066	(81)	—	—	—	—
30,026	30,630	39,434	23,023	16,048	11,794
38,981	40,213	58,568	24,067	3,553	24,105
12,678	11,769	8,770	3,751	2,073	1,761
—	—	—	—	—	1,000
183,903	156,050	107,751	71,326	48,974	33,487
8,371	8,977	9,548	8,392	6,686	5,644
57,871,700	57,100,400	54,075,400	53,647,400	52,289,900	46,134,900
$0.52	$0.55	$0.73	$0.43	$0.33	$0.26
$0.51	$0.54	$0.71	$0.42	$0.30	$0.22
$0.68	$0.73	$1.08	$0.45	$0.07	$0.52
$0.09	$0.08	$0.07	$0.05	$0.037	$0.027
$3.18	$2.73	$1.99	$1.33	$0.94	$0.73

Comparative figures for 1987 reflect all prior stock splits

(3 for 1: August 1979;
2 for 1: September 1983;
3 for 1: January 1986;
3 for 1: September 1987)



DIRECTORS

ALEXANDER CHRIST
President and Chief Executive Officer
Mackenzie Financial Corporation

C. DAVID CLARK
Corporate Director
Former Publisher and
Chief Executive Officer
The Globe and Mail

DERMOT G. J. COUGHLAN
Chairman and Chief Executive Officer
Derlan Industries Ltd.

WILLIAM G. CRERAR
Chairman
Mackenzie Financial Corporation

PHILIP F. CUNNINGHAM
Executive Vice-President
Mackenzie Financial Corporation

PETER K. HENDRICK
Corporate Director
Former Vice-President and Director
Wood Gundy Inc.

JAMES L. HUNTER
Executive Vice-President and
Chief Operating Officer
Mackenzie Financial Corporation

F. WARREN HURST
Corporate Director
Former Senior Policy Advisor
Investment Dealer's Association of Canada

ALASDAIR J. MCKICHAN
Corporate Director
Former President
Retail Council of Canada

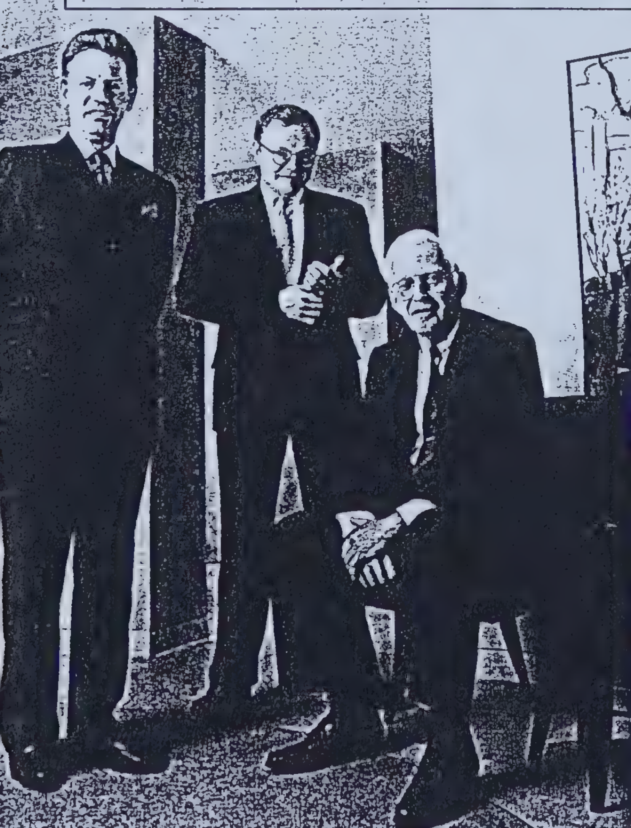
Since the publication of our 1996 Annual Report, there have been three changes within the Corporation's Board of Directors. In January, 1997, Mr. Clifford Fletcher resigned as a director and his resignation was received by the Board with much regret. Following that resignation, Philip F. Cunningham, the President of our Canadian Fund Operations, and James L. Hunter, our Chief Operating Officer, were added to the Board.

The Board is currently comprised of nine directors. Messrs. Christ, Cunningham and Hunter represent management on the Board. Five of the remaining six directors are "unrelated directors" as defined in The Toronto Stock Exchange Guidelines for Improved Corporate Governance in Canada.

There are two Committees of the Board of Directors: the Audit, Finance and Risk Committee and the Human Resource and Corporate Governance Committee. All of the members of the two Committees are non-management directors and a majority of the members of each committee are unrelated directors. Together, the Committee mandates include processes to ensure that the Corporation currently meets all of the TSE Guidelines relating to corporate governance.

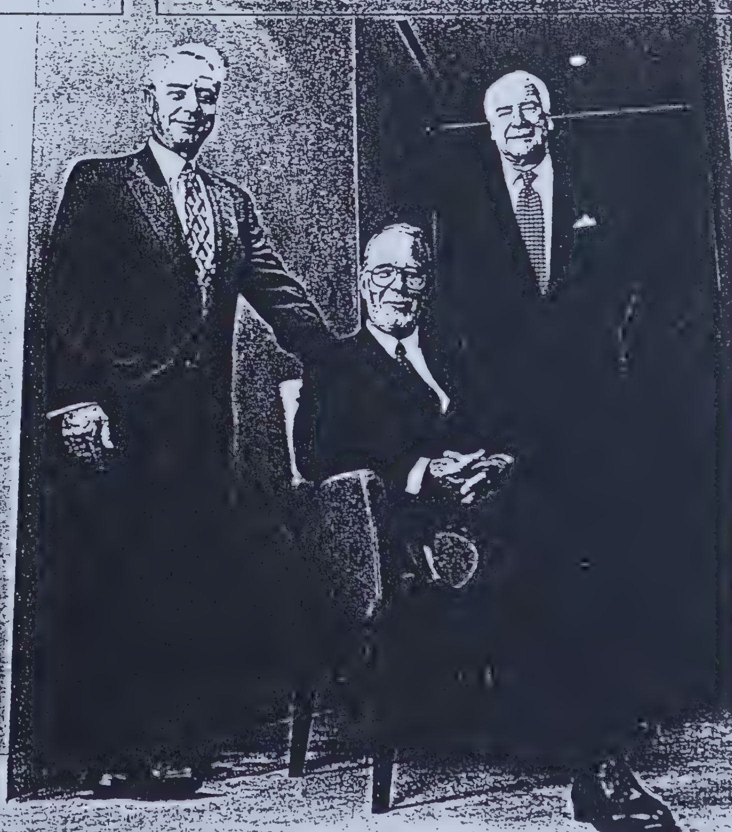
Committees of the Board of Directors

Audit, Finance and Risk Committee



L to R: DERMOT G. J. COUGHLAN
PETER K. HENDRICK
F. WARREN HURST *(Chairman)*

Human Resource and Corporate Governance Committee



L to R: C. DAVID CLARK *(Chairman)*
WILLIAM G. CRERAR
ALASDAIR J. MCKICHAN

EXECUTIVE OFFICERS

ALEXANDER CHRIST
President, Chief Executive Officer

PHILIP F. CUNNINGHAM
Executive Vice-President

HAROLD P. HANDS
Executive Vice-President, Legal and Secretary

JAMES L. HUNTER
Executive Vice-President, Chief Operating Officer

MICHAEL G. LANDRY
Executive Vice-President, U.S. Operations

NEIL LOVATT
Vice-Chairman, Chief Investment Officer

SENIOR VICE-PRESIDENTS

JEAN G. BUBENDORFF
Sales

ANDREW H. DALGLISH
Shareholder Services

JAMES T. DRYBURGH
Chief Financial Officer

DAVID B. FEATHER
Marketing

TIMOTHY P. GLEESON
Investments

JERRY R. JAVASKY
Investments

LAURIE J. MUNRO
Marketing

STEPHEN M. POZGAJ
Chief Information Officer

WILLIAM F. PROCTER
Investments

JOHN E. ROHR
Investments

PEGGY ROHR
Business Planning & Corporate Administration

JOHN D. ROTHWELL
National Sales Manager

MOIRA A. SAGANSKI
Business Development

B. ANN SAVEGE
Fund Administration

FREDERICK H.S. STURM
Investments

MARK A. TIFFIN
Marketing

VICE-PRESIDENTS

PAUL D.V. ALLAN
Sales

TODD E. BACKMAN
Sales

MICHAEL E. BARNETT
Sales

KIMBERLEY BARTON
Information Security and Standards

DEREK J.M. BATTY
Systems Development

MARSHALL S. BLACK
Network Services

ALEXANDRA BRIGHT
Finance & Reporting

W. SIAN B. BROWN
Legal

ASHLEY C. CAMERON
Sales

LORETTA K. CASSELL
Marketing Production

PETER C. CHISHOLM
Sales

MARK F. J. FOLEY
Client Services

JAMES D. FRASER
Marketing

CHAN K. GHOSH
Computing Services

G. ANDREW GRANT
Sales

HOWARD H. GROSS
Sales

TIMOTHY A. HERRON
Sales

CARL P. JAMES
Sales

WILLIAM D. KANKO
Investments

ROBERT A. MASK
Marketing Services

DAVID W. MCCULLUM
Human Resources

CHRIS W. MCKIM
Executive Information Systems

VERONICA A. ONYSKIW
Investments

TERRENCE N. O'SULLIVAN
Sales

ROBERT M. PARADIS
Shareholder Processing

VICTOR S. RAYE
Group Plans Sales and Marketing

RICHARD P. SAMBROOK
Pension Fund Marketing

MARCUS H. SLADE
Sales

DAVID K. WONG
Asian Investor Services

MILLIE M. L. WONG
Fund and Trust Accounting

CANDY WU
Sales

Mackenzie
Building Financial Independence

The Industrial Group of Funds

- Industrial American Fund
- Industrial Balanced Fund
- Industrial Bond Fund
- Industrial Cash Management Fund
- Industrial Dividend Growth Fund Limited
- Industrial Equity Fund Limited
- Industrial Future Fund
- Industrial Growth Fund
- Industrial Horizon Fund
- Industrial Income Fund
- Industrial Mortgage Securities Fund
- Industrial Pension Fund
- Industrial Short-Term Fund

Ivy Funds

- Ivy Canadian Fund
- Ivy Enterprise Fund
- Ivy Foreign Equity Fund
- Ivy Growth and Income Fund
- Ivy Mortgage Fund

The Universal Funds

- Universal Americas Fund[1]
- Universal Canadian Balanced Fund[7]
- Universal Canadian Growth Fund Limited[7]
- Universal Canadian Resource Fund
- Universal European Opportunities Fund[2]
- Universal Far East Fund[3]
- Universal Growth Fund
- Universal Japan Fund[3]
- Universal Precious Metals Fund
- Universal U.S. Emerging Growth Fund[1]
- Universal U.S. Money Market Fund
- Universal World Asset Allocation Fund[4]
- Universal World Balanced RRSP Fund[1]
- Universal World Emerging Growth Fund[2]
- Universal World Equity Fund[2]
- Universal World Growth RRSP Fund[1]
- Universal World Income RRSP Fund[1]
- Universal World Science and Technology Fund[1,2&5]
- Universal World Tactical Bond Fund[4]

Portfolio Management Sub-advisors

1. Mackenzie Investment Management Inc., Boca Raton, Florida, U.S.A.
2. Henderson Administration plc, London, England.
3. Thornton Management (Asia) Ltd., Hong Kong.
4. Cursitor-Eaton Asset Management Company, Paris, France.
5. Mackenzie Financial Corporation, Toronto, Canada.
6. Northern Cross Investments Limited, Hamilton, Bermuda.
7. Bluewater Investment Management Inc., Toronto, Canada.

Mackenzie Funds

- Mackenzie California Municipal Fund
- Mackenzie Limited Term Municipal Fund
- Mackenzie National Municipal Fund
- Mackenzie New York Municipal Fund

Ivy Funds

- Ivy Asia Pacific Fund
- Ivy Bond Fund
- Ivy Canada Fund[5]
- Ivy China Region Fund
- Ivy Emerging Growth Fund
- Ivy Global Fund
- Ivy Global Natural Resources Fund[5]
- Ivy Global Science & Technology Fund
- Ivy Growth Fund
- Ivy Growth with Income Fund
- Ivy International Fund[6]
- Ivy International Fund II
- Ivy International Small Companies Fund
- Ivy Latin America Strategy Fund
- Ivy Money Market Fund
- Ivy New Century Fund
- Ivy Pan-Europe Fund

The annual meeting of shareholders will be held on
Friday, September 12, 1997, at 10:00 am
at The Glenn Gould Theatre,
250 Front Street West,
Toronto, Ontario.

Mackenzie Financial Corporation
150 Bloor Street West
Toronto, Ontario
M5S 3B5
(416) 922-5322
http://www.mackenziefinancial.com
E-mail: invest@mackenziefinancial.com

Harold P. Hands, Secretary
Mackenzie Financial Corporation
150 Bloor Street West
Suite M111
Toronto, Ontario
M5S 3B5

CIBC Mellon Trust Company
Corporate Trust Services
393 University Avenue
5th Floor
Toronto, Ontario
M5G 2M7

The Toronto Stock Exchange – MKF
Montreal Exchange – MKF
NASDAQ – MKFCF

Mackenzie
Building Financial Independence